

**OSCEOLA COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2015**



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## Osceola County

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires/Expired</u>
<b>(Before January 2015)</b>		
LeRoy DeBoer	Board of Supervisors	December 31, 2014
Michael Schulte	Board of Supervisors	December 31, 2014
Philip Bootsma	Board of Supervisors	December 31, 2016
Merlin Sandersfeld	Board of Supervisors	December 31, 2016
Jayson Vande Hoef	Board of Supervisors	December 31, 2016
Robert Hansen	County Attorney	December 31, 2014
Deb Van Beest	County Recorder	December 31, 2014
Becky Marco	County Treasurer	December 31, 2014
Barbara Echter	County Auditor	December 31, 2016
Douglas Weber	County Sheriff	December 31, 2016
Charles Bechtold	County Engineer	Indefinite
Nicholas Schmalen	County Conservation Director	Indefinite
Sharon Wolter	County Assessor	Indefinite
Dan Bechler	County Emergency Management	Indefinite
Philip Bootsma	Public Safety Commission Board	December 31, 2014
Lee Dau	Public Safety Commission Board	Jan. – Sept. 2014
Rebecca Heitritter	Public Safety Commission Board	Sept. – Dec. 2014
LeRoy DeBoer	Public Safety Commission Board	December 31, 2014
Patrick DeVries	Public Safety Commission Board	December 31, 2014
Jan Henningsen	Public Safety Commission Board	December 31, 2014
Jerry Johnson	Public Safety Commission Board	December 31, 2014
Arlyn Pedley	Public Safety Commission Board	December 31, 2014
Greg Spaethe	Public Safety Commission Board	December 31, 2014

## Osceola County

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires/Expired</u>
<b>(Beginning January 2015)</b>		
Philip Bootsma	Board of Supervisors	December 31, 2016
Merlin Sandersfeld	Board of Supervisors	December 31, 2016
Jayson Vande Hoef	Board of Supervisors	December 31, 2016
LeRoy DeBoer	Board of Supervisors	December 31, 2018
Michael Schulte	Board of Supervisors	December 31, 2018
Barbara Echter	County Auditor	December 31, 2016
Douglas Weber	County Sheriff	December 31, 2016
Robert Hansen	County Attorney	December 31, 2018
Deb Van Beest	County Recorder	December 31, 2018
Becky Marco	County Treasurer	December 31, 2018
Charles Bechtold	County Engineer	June 3, 2016
Nicholas Schmalen	County Conservation Director	Indefinite
Sharon Wolter	County Assessor	Indefinite
Dan Bechler	County Emergency Management	Indefinite
Philip Bootsma	Public Safety Commission Board	December 31, 2015
LeRoy DeBoer	Public Safety Commission Board	December 31, 2015
Patrick DeVries	Public Safety Commission Board	December 31, 2015
Rebecca Heitritter	Public Safety Commission Board	December 31, 2015
Jan Henningsen	Public Safety Commission Board	December 31, 2015
Jerry Johnson	Public Safety Commission Board	December 31, 2015
Arlyn Pedley	Public Safety Commission Board	December 31, 2015
Greg Spaethe	Public Safety Commission Board	December 31, 2015

# ***DE NOBLE, AUSTIN & COMPANY PC***

Certified Public Accountants

## **MEMBERS**

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## **Independent Auditor's Report**

To the Officials of Osceola County:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Osceola County, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Osceola County as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of Matter

As discussed in Note 19 to the financial statements, Osceola County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 18 and 63 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Osceola County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine fiscal years ended June 30, 2014, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2016, on our consideration of Osceola County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Osceola County's internal control over financial reporting and compliance.

*De Noble, Austin & Company PC*

De Noble & Company PC  
d/b/a De Noble, Austin & Company PC  
Certified Public Accountants

June 13, 2016



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## Management Discussion and Analysis

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Management of Osceola County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **Fiscal Year 2015 Financial Highlights**

- The County's governmental funds revenues/sale of capital assets for fiscal year 2015 were \$8,138,694, compared to \$7,107,556 in fiscal year 2014, an increase of \$1,031,138, or 1.45%. Property taxes and other county tax increased by \$275,940, or 6.85%; intergovernmental revenues increased by \$553,096, or 21.96%; and all other revenue classifications/sale of capital assets netted to an increase of \$202,102, or 26.51%.
- The County's governmental funds expenditures for fiscal year 2015 were \$7,810,657 compared to \$8,107,206 in fiscal year 2014, a decrease of \$(296,549), or (3.80)%. The county environment and education function decreased by \$(641,396), or (34.01)%; the debt service function decreased by \$(264,624), or 35.55%; the roads and transportation function increased by \$530,117, or 20.51%; and all other expenditure functions increased by \$79,354 or 2.74%.
- The County's governmental funds fund balances for fiscal year 2015 were \$5,420,629 compared to \$5,092,592 in fiscal year 2014, an increase of \$328,037, or 6.44%. The County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund decreased by \$(672,629), or (46.28)%; the Secondary Road Fund increased by \$413,297, or 16.08%; the General Fund increased by \$326,369, or 24.84%; the Mental Health (County Services) Fund increased by \$157,679 (from a \$(86,664) deficit); and all other governmental funds increased by a net amount of \$103,321.
- The County's governmental activities revenues for fiscal year 2015 were \$8,095,342, compared to \$7,228,185 in fiscal year 2014, an increase of \$867,157, or 12.00%. The County's portion of governmental activities costs financed by users (charges for service) increased by \$76,452, or 17.18%. Operating grants, contributions and restricted interest increased by \$506,344, or 22.05%. Capital grants, contributions and restricted interest decreased by \$131,231, or 100%. General revenues increased by \$415,592, or 9.54%.
- The County's governmental activities expenses for fiscal year 2015 were \$7,580,824, compared to \$6,896,310 in fiscal year 2014, an increase of \$684,514 or 9.92%. The County environment and education function increased by \$494,937, or 60.63%; the roads and transportation function increased by \$107,121, or 3.42%; the mental health function increased by \$95,295, or 72.51%; and all other expense areas decreased by \$(163,961), or (5.82)%.
- The County implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, during fiscal year 2015. The beginning net position for governmental activities was restated by \$(1,342,696), (\$15,352,878 down to \$14,010,182), to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The pension expense for fiscal year 2014, certain deferred outflows of resources at June 30, 2014, and deferred inflows of resources at June 30, 2014 were not restated because the information needed to restate those amounts was not available.

- The County's government-wide net position for fiscal year 2015 was \$14,524,700, compared to \$14,010,182 in fiscal year 2014 (as restated), an increase of \$514,518 or 3.67%. This compares to an increase of \$331,875, or 2.21%, from fiscal year 2013 to fiscal year 2014.

### **Using this Annual Report**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Osceola County as a whole and present an overall view of the County's finances, including data on the County's discretely presented component unit, the Public Safety Commission.
- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Osceola County's operations in more detail than the governmental-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Osceola County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County and Commission's budget for the year, the County and Commission's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan for Osceola County and the County's discretely presented component unit, the Public Safety Commission.
- Supplementary Information provides detailed information about the non-major governmental Special Revenue Funds and the individual Agency Funds. In addition, financial statements are presented for the Public Safety Commission.

### **Reporting the County's Financial Activities**

#### *Government-Wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current, interest on long-term debt and minor capital projects. Property tax, tax increment financing and intergovernmental financing (grants) fund most of these activities. The County has no business type activities.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the legally separate Public Safety Commission for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

### *Fund Financial Statements*

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows in and out of these funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Rural Services, Secondary Roads, County Tax Increment Projects (Amended Ethanol TIF Areas) and County Tax Increment Financing (Ethanol Plant – P&I Sinking), and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the E911 Surcharge Fund, Emergency Management Services Fund, the County Assessor's Fund and all the tax funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### *Component Unit*

As discussed earlier, the Public Safety Commission is a component unit of the County. The Public Safety Commission does not issue separate financial statements, so basic financial statement information is included in the County's supplementary information (schedules). This information is

reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The information provides a detailed, short-term view of the governmental operations and the basic services it provides. This information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Public Safety Commission's programs. The Public Safety Commission adopts its budget on a cash basis.

Some of the financial highlights for fiscal year 2015 for the Public Safety Commission include:

- The discretely presented component unit – Public Safety Commission's government-wide net position for fiscal year 2015 was \$137,559, compared to \$105,741 (as restated) in fiscal year 2014, an increase of \$31,818, or 30.09%. The Public Safety Commission's governmental activities revenues for fiscal year 2015 were \$1,147,026, compared to \$1,103,381 in fiscal year 2014, an increase of \$43,645, or 3.96%. The Public Safety Commission's governmental activities expenses for fiscal year 2015 were \$1,115,208, compared to \$1,123,626 in fiscal year 2014, a decrease of \$8,418, or 0.75%. Revenues increased due to higher contributions from the County and cities and more unified tax levy collections from the County. Disbursements increased primarily due to the information technology services program area.
- The Public Safety Commission's fund financial statements had modified accrual basis revenues for fiscal year 2015 of \$1,145,826 compared to \$1,102,100 in fiscal year 2014, an increase of \$43,726, or 3.97%. Modified accrual basis revenues increased for the same reason as full accrual basis revenues. The Public Safety Commission also received \$43,990 in proceeds from long-term debt (lease-purchase) during fiscal year 2015.
- The Public Safety Commission's fund financial statements had modified accrual basis expenditures for fiscal 2015 of \$1,252,286, compared to \$1,140,847 in fiscal year 2014, an increase of \$111,439, or 9.77%. Expenditures increased primarily in the central services – information tech services area, which had an increase of \$76,148, due to the Public Safety Commission equipment updates.
- The Public Safety Commission's fund balance for fiscal year 2015 was \$166,110 compared to \$228,580 in fiscal year 2014, a decrease of \$(62,470), or (27.33)%. This compares to a decrease of \$(14,169), or (5.83)%, from fiscal year 2013 to fiscal year 2014.
- The Public Safety Commission did not exceed its final amended budgeted disbursements for fiscal year 2015. During fiscal year 2015, the Public Safety Commission approved one budget amendment. The budget amendment increased total receipts by \$30,700, and increased disbursements by \$93,200. The Public Safety Commission's actual cash basis receipts of \$1,133,746 came in \$6,442 over the final amended budget. The Public Safety Commission's actual cash basis disbursements of \$1,223,359 came in \$24,341 under the final amended budget.
- The Public Safety Commission implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, during fiscal year 2015. The beginning net position for governmental activities was restated down by \$(205,742), (\$311,483 down to \$105,741), to retroactively report the net pension liability as of July 1, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014.

## **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position for governmental activities and the component unit from a year ago.

	<b>Net Position</b>			
	<b>Governmental Activities</b>		<b>Public Safety Commission</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>(As Restated) 2015</b>	<b>(Not Restated) 2014</b>	<b>(As Restated) 2015</b>	<b>(Not Restated) 2014</b>
Current and Other Assets	\$ 10,292,363	\$ 10,072,815	\$ 181,028	\$ 237,144
Capital Assets	13,256,336	13,584,195	224,418	168,521
Total Assets	23,548,699	23,657,010	405,446	405,665
Deferred Outflows of Resources	252,785	0	55,048	0
Other Liabilities	226,263	488,733	14,784	8,430
Long-Term Liabilities	4,169,835	3,499,721	67,000	85,752
Total Liabilities	4,396,098	3,988,454	81,784	94,182
Deferred Inflows of Resources	4,880,686	4,315,678	241,151	0
Net Position:				
Net Investment in Capital Assets	10,342,131	10,873,270	184,827	168,521
Restricted	4,810,488	4,151,660	0	0
Unrestricted	( 627,919)	327,948	( 47,268)	142,962
<b>Total Net Position</b>	<b>\$ 14,524,700</b>	<b>\$ 15,352,878</b>	<b>\$ 137,559</b>	<b>\$ 311,483</b>

The increase in “current and other assets” was mainly due to increases in cash and pooled investments; succeeding year property tax and tax increment financing receivables; due from other governments and inventories. “Other liabilities” decreased as a result of lesser amounts in contracts payable and due to other governments. “Long-term liabilities” increased due to recording of the net pension liability, while “deferred outflows of resources” and “deferred inflows of resources” increased as a result of newly reported pension related items.

The largest portion of Osceola County’s net position, making up 71.20% of the total, is net investment in capital assets (e.g., land, infrastructure, buildings and improvements and vehicles/equipment/machinery) – book value of capital assets less related debt. Restricted net position, which makes up 33.12% of the total, represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the remaining (4.32)% of the total net position, is the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. Of the total net position for the County’s governmental activities during fiscal year 2015, net investment in capital assets decreased by \$(531,139), restricted net position increased by \$658,828 (mainly due to an increase in amounts restricted for secondary roads purposes), and unrestricted net position decreased by \$(955,867). The large decrease in unrestricted net position is primarily a result of reporting the net pension liability on June 30, 2015.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$1,342,696 to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date.

<b>Changes in Net Position</b>				
	<b>Governmental Activities</b>		<b>Public Safety Commission</b>	
	<b>Year Ended</b>		<b>Year Ended</b>	
	<b>(As Restated) June 30, 2015</b>	<b>(Not Restated) June 30, 2014</b>	<b>(As Restated) June 30, 2015</b>	<b>(Not Restated) June 30, 2014</b>
Revenues:				
Program Revenues:				
Charges for Service	\$ 521,387	\$ 444,935	\$ 1,142,431	\$ 1,071,067
Operating Grants, Contributions and Restricted Interest	2,802,688	2,296,344	3,395	31,034
Capital Grants, Contributions and Restricted Interest	0	131,231	0	0
General Revenues:				
Property Tax Levied for:				
General Purposes	3,336,531	3,144,140	0	0
Unified Law	417,615	385,898	0	0
Tax Increment Financing	550,912	499,650	0	0
Penalty and Interest on Property Tax	16,799	18,809	0	0
State Tax Credits	247,914	201,956	0	0
Grants and Contributions Not Restricted to Specific Purposes	34,885	6,146	0	0
Unrestricted Investment Earnings	13,635	12,819	0	0
Rents	32,610	48,533	0	0
Drainage Assessments	46,398	16,011	0	0
Gain on Disposal of Capital Assets	41,060	4,163	1,200	1,280
Miscellaneous	32,908	17,550	0	0
Total Revenues	8,095,342	7,228,185	1,147,026	1,103,381
Program Expenses:				
Public Safety and Legal Services	1,289,024	1,225,729	0	0
Physical Health and Social Services	213,976	205,044	0	0
Mental Health	226,726	131,431	0	0
County Environment and Education	1,311,223	816,286	0	0
Roads and Transportation	3,239,395	3,132,274	0	0
Governmental Services to Residents	297,389	308,601	0	0
Administration	795,747	817,450	0	0
Non-program Current	61,027	67,425	0	0
Interest on Long-Term Debt	66,662	56,036	0	0
Capital Projects	79,655	136,034	0	0
Public Safety Commission	0	0	1,115,208	1,123,626
Total Expenses	7,580,824	6,896,310	1,115,208	1,123,626
Increase (Decrease) in Net Position	514,518	331,875	31,818	( 20,245)
Net Position Beginning of Year	14,010,182	15,021,003	105,741	331,728
Net Position End of Year	\$ 14,524,700	\$ 15,352,878	\$ 137,559	\$ 311,483



The County's portion of governmental activities costs financed by users (charges for service) increased by \$76,452, or 17.18% (the public safety and legal services and county environment and education functions had larger increases, which were partially offset by a decrease in the roads and transportation function). Operating grants, contributions and restricted interest increased by \$506,344, or 22.05% (mainly in the mental health and roads and transportation functions). Capital grants, contributions and restricted interest decreased by \$(131,231), or (100.00)%. General revenues increased by \$415,592, or 9.54% (primarily due to property and other county taxes levied for general purposes). Program expenses for governmental activities this fiscal year increased in total by \$684,514, or 9.93% (mainly in the county environment and education function).

## **INDIVIDUAL MAJOR FUND ANALYSIS**

### **Governmental Major Fund Highlights**

Osceola County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As Osceola County completed fiscal year 2015, its governmental funds reported a combined fund balance of \$5,420,629. This is in comparison to fiscal year 2014, when the combined fund balance was \$5,092,592. This is a \$328,037 increase from last year. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior fiscal year.

**GENERAL FUND:** The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses of the County are paid from this fund. The fiscal year 2015 General Fund ending fund balance was \$1,640,346. This is in comparison to last fiscal year when the fund balance was \$1,313,977. This is a \$326,369 increase from last year, or 24.84%. Of the June 30, 2015 fund balance, \$38,206 is nonspendable, \$637,353 is restricted and \$964,787 is unassigned. Total revenues for fiscal year 2015 increased from fiscal year 2014 by \$225,075, or 8.53% (mainly due to an increase in property and other county taxes). Expenditures decreased by \$(943,033), or (26.60)% (mainly due to a decrease in the county environment and education function). During fiscal year 2015, the General Fund also had \$66,350 in other financing sources (\$78,120 from sales of capital assets and \$(11,770) from operating transfers out) compared to \$1,005,890 in other financing sources in fiscal year 2014, mainly due to (\$982,416 in long-term bond proceeds).

**RURAL SERVICES FUND:** The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas, including secondary road and sanitation services, but excluding services financed by other statutory funds. The fiscal year 2015 Rural Services ending fund balance was \$108,671. This is in comparison to last fiscal year when the fund balance was \$60,324. This is a \$48,347 increase from last year, or 80.15%. The County transferred \$900,328 from the Rural Services Fund to the Secondary Roads Fund in fiscal year 2015 (compared to \$845,290 in fiscal year 2014). Revenues increased by \$60,916, or 5.90% (due primarily to property and other county tax collections), and expenditures increased by \$3,796, or 2.37%.

**SECONDARY ROADS FUND:** The Secondary Roads Fund is used to account for secondary roads construction and maintenance. The fiscal year 2015 Secondary Roads ending fund balance was \$2,983,515. This is in comparison to last fiscal year when the fund balance was \$2,570,218. This is a \$413,297 increase from last year, or 16.08%. Revenues increased (mainly due to intergovernmental proceeds) by \$304,007, or 11.83%; expenditures increased by \$468,153, or 17.69%; capital asset sales were \$55,510 (compared to \$13,350 in fiscal year 2014), an increase of \$42,160; and operating transfers in amounted to \$900,328 (compared to \$845,290 in fiscal year 2014), a \$55,038 increase over last year.

COUNTY TAX INCREMENT FINANCING PROJECTS (AMENDED ETHANOL TIF AREAS): The County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund is currently being used to account for resources received from the “General Obligation County Purpose and Refunding Bonds, Series 2013A” to be spent on projects in the Amended Urban Renewal District 1 (Ethanol Plant) Plan areas. Projects consist of constructing water system extensions and improvements, constructing road improvements to assist in economic development resulting in job and wealth creation, constructing sanitary sewer system improvements, and any other projects deemed to meet public purpose within the urban renewal plan areas. For fiscal year 2015, this fund had no revenues (compared to \$652 in fiscal year 2014); expenditures (county environment and education function) of \$672,629 (compared to \$385,098 in fiscal year 2014); and an ending fund balance of \$780,889 (compared to an ending fund balance in fiscal year 2014 of \$1,453,518, as restated).

COUNTY TAX INCREMENT FINANCING (AMENDED ETHANOL TIF AREAS) FUND: The County Tax Increment Financing (Amended Ethanol TIF Areas) Fund is currently being used to account to account for the collection of tax increment financing related to the Urban Renewal District 1 (Ethanol Plant) Amended Plan areas. The tax increment financing proceeds are being collected for the County’s “General Obligation County Purpose and Refunding Bonds, Series 2013A” debt service requirements. For fiscal year 2015, this fund had revenues of \$496,208 (compared to \$417,014 in fiscal year 2014), transfers out of \$430,486 (compared to \$417,873 in fiscal year 2014), and a deficit ending fund balance of \$(29,626) (compared to a deficit ending fund balance in fiscal year 2014 of \$(95,348), as restated).

DEBT SERVICE (AMENDED ETHANOL TIF AREAS P & I): The Debt Service (Amended Ethanol TIF Areas P & I) Fund is utilized to account for interest earned by amounts in this fund and for operating transfers in of tax increment financing collections generated by the Urban Renewal District 1 (Ethanol Plant) Amended Plan areas. These proceeds are to be used for the payment of interest and principal on the County’s “General Obligation County Purpose and Refunding Bonds, Series 2013A”. For fiscal year 2015, this fund had operating transfers in of \$430,486; and expenditures for debt service of \$422,923 (principal of \$360,000 and interest/fees of \$62,923).

OTHER SPECIAL REVENUE FUNDS: The other non-major Special Revenue Funds, which include Case Management, Mental Health (County Services), Unified Law Levy, County Recorder’s Records Management, Sheriff’s Asset Forfeiture, Resource Enhancement and Protection, Drainage Districts, County Attorney Incentive, County Tax Increment Financing (Cenex Coop Project), and County TIF (Windmills-Ocheyedan Area) are classified as non-major.

### **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except blended component units (drainage districts) and Agency Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, Osceola County amended its budget three times. The dates of the budget amendments, the amounts changed and the most significant reasoning for the changes are as follows:

<u>Budget Amendment Date</u>	<u>Amounts Changed</u>	<u>Reasoning for Changes</u>
September 9, 2014	Revenues = \$16,667	Hazard mitigation grant
	Other Financing Sources = \$43,200	Sale of capital assets
	Expenditures = \$1,551,892	Software and computer system upgrades, Hawkeye Point project, Enterprise Park survey, TIF projects, election equipment, audit costs
January 13, 2015	Revenues = \$5,800	Ambulance training
	Other Financing Sources = \$55,510	Sale of capital assets
	Expenditures = \$176,200	Hawkeye Point remodel, equipment, election expenses, insurance consulting fee, membership fees, repairs, supplies
May 12, 2015	Revenues = \$32,334	County Attorney assisting Clay Co., office-medical supplies/equip./ambulance billings, hazard mitigation grant
	Other Financing Sources = \$67,400	Sale of capital assets
	Expenditures = \$153,586	Payroll taxes and pension expense, training, Regional Housing, case management, Mental Health tax allocation, publications/mileage, flex spending loan, principal/interest payment on debt

The County ended up collecting more than its amended budgeted revenues by \$430,317; coming in below its amended budgeted disbursements by \$1,112,582 and receiving other financing sources, net of \$32,480 below its amended budget. The actual beginning cash basis balance was \$1,748,447 higher than budgeted and the ending cash basis balance was \$3,258,866 more than the amended budgeted amount.

## **Capital Assets and Debt Administration**

### **Capital Assets**

Osceola County concluded fiscal year 2015 with \$19,215,060 invested in a broad range of capital assets. The Public Safety Commission concluded fiscal year 2015 with \$483,330 invested in a broad range of capital assets. The capital assets include public safety/secondary roads/conservation/general County machinery/equipment, vehicles, buildings, land, roads and bridges. See Note to the Financial Statements (5) for more information about the County's and Public Safety Commission's capital assets.

<b>Capital Assets at Year End</b>				
	<b>Governmental Activities</b>		<b>Public Safety Commission</b>	
	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Land	\$ 1,482,596	\$ 1,505,716	\$ 0	\$ 0
Buildings and Improvements	1,087,546	1,052,546	0	0
Machinery, Equipment and Vehicles	5,739,672	5,597,254	439,340	411,451
Infrastructure	10,884,613	10,884,613	0	0
Construction in Progress	20,633	0	0	0
Intangible	0	0	43,990	0
Total	<u>\$19,215,060</u>	<u>\$ 19,040,129</u>	<u>\$ 483,330</u>	<u>\$ 411,451</u>

This fiscal year's major additions for the County's governmental activities included a Cat excavator; motorgrader; disc mower; pavement cutter; overhead door for secondary roads shop; Cedar Cabin property; and a lawn mower. The Public Safety Commission purchased a 2015 Ford Taurus patrol car; a 2015 Ford F150 pickup; Dell server, and TAC-10 computer software.

The County's governmental activities had depreciation expense of \$769,489 in fiscal year 2015 and total accumulated depreciation of \$5,958,724 on June 30, 2015. The Public Safety Commission had depreciation expense of \$25,511 in fiscal year 2015 and total accumulated depreciation of \$258,912 on June 30, 2015.

### Long-Term Debt

At June 30, 2015, the County had the following long-term debt issuances outstanding:

	<b>OCEDC General Obligation Loan</b>	<b>Osceola Electric Coop. General Obligation Loan</b>	<b>General Obligation County Purpose &amp; Refunding Bonds</b>	<b>John Deere Financial Installment Purchase</b>
Balance Beginning of Year	\$ 98,512	147,600	3,070,000	10,591
Increases	0	0	0	0
Decreases	(5,007)	(36,900)	(360,000)	(10,591)
Balance End of Year	<u>\$ 93,505</u>	<u>110,700</u>	<u>2,710,000</u>	<u>0</u>

The loan with the Osceola County Economic Development Commission was used to purchase real estate known as "Hawkeye Point". The fiscal year 2015 principal and interest payments were paid by the Rural Services Fund.

The loan with the Osceola Electric Cooperative, Inc. (Rural Economic Development Loan and Grant Program) was used to assist in the purchase of 41 acres of land near Highways 9 and 60. This land was purchased for economic development purposes. The fiscal year 2015 principal payment was made through the Rural Services Fund.

The “General Obligation County Purpose and Refunding Bonds, Series 2013A” were issued to pay expenditures related to projects in the Amended Urban Renewal District 1 (Ethanol Plant) Plan areas, to refund the County’s “Urban Renewal Revenue Capital Loan Notes, Series 20014,” and to refund the County’s “General Obligation County Purpose Loan Agreement Anticipation Project Note, Series 2013”. The general obligation bonds are being redeemed through the Debt Service Fund.

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5 percent of the assessed value of all taxable property within the County’s corporate limits (this figure is 100% valuation less military exemptions). Osceola County’s outstanding debt (even when considering TIF debt/rebate agreements toward the limitation) is significantly below its constitutional debt limit of approximately \$46,675,000. Additional information about the County’s long-term debt plus additional long-term debt related to compensated absences, the net pension liability and the net OPEB liability is presented in Notes to the Financial Statements (7), (8) and (9).

### **Economic Factors, Next Fiscal Year’s Budget, and Property Taxation**

Osceola County’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and the fees for various County activities. Factors include the economy, state funding levels and property valuations. Unemployment as of December 2014 in Osceola County was 3.4% (this compares with the State of Iowa unemployment rate of 4.3% and the national rate of 5.6%). Inflation in the State is also somewhat lower than the national Consumer Price Index increase. The State’s December 2014 CPI rate was 222.821. The national December 2014 CPI rate was 236.736.

These types of indicators were taken into account when adopting the County’s budget for fiscal year 2016. The fiscal year 2015 actual figures for funds required to be budgeted and the original adopted budget for fiscal year 2016 for receipts and disbursements are as follows:

	Fiscal Year 2015 Actual	Fiscal Year 2016 Original Adopted Budget
<b>Receipts:</b>		
Property and Other County Tax	\$ 4,305,327	\$ 4,451,808
Interest and Penalty on Property Tax	14,961	0
Intergovernmental	2,862,986	2,642,624
Licenses and Permits	16,110	21,950
Charges for Service	330,056	279,684
Use of Money and Property	56,594	59,550
Miscellaneous	155,625	46,140
<b>Total Receipts</b>	<b>\$ 7,741,659</b>	<b>\$ 7,501,756</b>
<b>Disbursements</b>		
Public Safety and Legal Services	\$ 1,296,067	\$ 1,460,080
Physical Health and Social Services	208,205	201,697
Mental Health	233,738	288,025
County Environment and Education	1,339,091	503,426
Roads and Transportation	3,192,908	3,079,213
Governmental Services to Residents	357,851	330,503
Administration	822,255	853,961

Nonprogram Current	61,026	105,750
Debt Service	469,161	480,438
Capital Projects	12,634	155,000
	<hr/>	<hr/>
Total Disbursements	\$ 7,992,936	\$ 7,458,093
	<hr/>	<hr/>

The property taxation by type, tax rates per \$1,000 taxable valuation, and valuation with gas and electric utilities for fiscal year 2015 and 2016 are as follows:

Property Taxation by Type

	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>
Countywide Levies	\$ 2,408,179	\$ 2,381,522
Rural Only Levies	\$ 1,488,659	\$ 1,580,793
Utility Replacement Excise Tax	\$ 90,249	\$ 75,460

Tax Rates per \$1,000 Taxable Valuation

	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>
Countywide Areas	5.32185	5.10010
Rural Areas	9.40120	9.24741

Valuation with Gas and Electric Utilities

	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>
Countywide Areas	\$ 462,78,146	\$ 475,883,426
Rural Only Areas	\$ 373,647,376	\$ 388,618,424

### **Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Osceola County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Osceola County Auditor's Office, 300 7<sup>th</sup> Street, Sibley, Iowa 51249 (phone number: 712-754-2241).

Sources: Unemployment: <http://www.iowaworkforce.org>  
Consumer Price Index (Bureau of Labor Statistics): <http://data.bls.gov>

**Osceola County**  
**Basic Financial Statements**

**Osceola County**

**Statement of Net Position**

**June 30, 2015**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Public Safety Commission</b>
<b>Assets</b>		
Cash and Pooled Investments	\$ 4,748,127	\$ 126,131
Receivables:		
Property Tax:		
Delinquent	2,341	0
Succeeding Year	3,787,985	0
Tax Increment Financing:		
Succeeding Year	631,864	0
Interest and Penalty on Property Tax	11,018	0
Accounts	235,285	0
Accrued Interest	2,972	0
Due from Primary Government (County)	0	6,993
Due from County's Agency Funds	28,647	11,526
Due from Other Governments	239,990	0
Inventories	538,958	0
Prepaid Expenses	65,176	36,378
Capital Assets (Net of Accumulated Depreciation)	13,256,336	224,418
<b>Total Assets</b>	<b>23,548,699</b>	<b>405,446</b>
<b>Deferred Outflows of Resources</b>		
Pension Related Deferred Outflows	252,785	55,048
<b>Liabilities</b>		
Accounts Payable	163,343	7,143
Salaries and Benefits Payable	30,809	0
Compensated Absences	0	7,641
Due to Component Unit (Public Safety)	6,993	0
Due to Other Governments	20,579	0
Accrued Interest Payable	4,539	0
<b>Long-Term Liabilities:</b>		
Portion Due or Payable Within One Year:		
Compensated Absences	94,577	64,495
General Obligation County Purpose and Refunding Bonds	365,000	0
OCEDC General Obligation Loan	17,651	0
Osceola Electric Coop. General Obligation Loan	36,900	0
Lease-Purchase Payable	0	13,197



## Osceola County

## Statement of Net Position

June 30, 2015

	Primary Government Governmental Activities	Component Unit Public Safety Commission
<b>Liabilities (Continued)</b>		
Portion Due or Payable After One Year:		
General Obligation County Purpose and Refunding Bonds	2,345,000	0
OCEDC General Obligation Loan	75,854	0
Osceola Electric Coop. General Obligation Loan	73,800	0
Lease-Purchase Payable	0	26,394
Net Pension Liability (Asset)	1,038,124	(53,328)
Net OPEB Liability	122,929	16,242
<b>Total Liabilities</b>	<b>4,396,098</b>	<b>81,784</b>
<b>Deferred Inflows of Resources</b>		
Unavailable Property Tax Revenue	3,787,985	0
Unavailable Tax Increment Financing Revenue	631,864	0
Pension Related Deferred Inflows	460,837	241,151
<b>Total Deferred Inflows of Resources</b>	<b>4,880,686</b>	<b>241,151</b>
<b>Net Position</b>		
Net Investment in Capital Assets	10,342,131	184,827
Restricted for:		
Supplemental Levy Purposes	391,084	0
Conservation Land Acquisition Purposes	199,169	0
Jail Improvements/Courthouse Security Purposes	165,147	0
Rural Services Purposes	114,400	0
Secondary Roads Purposes	2,923,413	0
Urban Renewal Purposes	780,889	0
Debt Service Purposes	23,875	0
Other Purposes	212,511	0
Unrestricted	(627,919)	(47,268)
<b>Total Net Position</b>	<b>\$ 14,524,700</b>	<b>\$ 137,559</b>

See Notes to Financial Statements.

**Osceola County**

**Statement of Activities**

**Year Ended June 30, 2015**

			<b>Program Revenues</b>	
			<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
<b>Expenses</b>	<b>Charges for Service</b>			
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety and Legal Services	\$ 1,289,024	265,242	41,600	0
Physical Health and Social Services	213,976	830	53,092	0
Mental Health	226,726	0	157,975	0
County Environment and Education	1,311,223	60,098	56,514	0
Roads and Transportation	3,239,395	44,120	2,488,661	0
Governmental Services to Residents	297,389	145,451	17	0
Administration	795,747	5,646	0	0
Non-Program Current	61,027	0	0	0
Interest on Long-Term Debt	66,662	0	4,829	0
Capital Projects	79,655	0	0	0
<b>Total Primary Government</b>	<b>\$ 7,580,824</b>	<b>521,387</b>	<b>2,802,688</b>	<b>0</b>
<b>Component Unit:</b>				
<b>Public Safety Commission</b>	<b>\$ 1,115,208</b>	<b>1,142,431</b>	<b>3,395</b>	<b>0</b>

**General Revenues:**

Property and Other County Tax Levied for:

- General Purposes
- Unified Law
- Tax Increment Financing
- Penalty and Interest on Property Tax
- State Tax Credits
- Grants and Contributions Not Restricted to Specific Purposes
- Unrestricted Investment Earnings
- Rents
- Drainage Assessments
- Gain on Disposal of Capital Assets
- Miscellaneous

**Total General Revenues**

**Change in Net Position**

**Net Position Beginning of Year, as Restated**

**Net Position End of Year**

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position	
Primary Government Governmental Activities	Component Unit Public Safety Commission
(982,182)	0
(160,054)	0
(68,751)	0
(1,194,611)	0
(706,614)	0
(151,921)	0
(790,101)	0
(61,027)	0
(61,833)	0
(79,655)	0
(4,256,749)	0
0	30,618
3,336,531	0
417,615	0
550,912	0
16,799	0
247,914	0
34,885	0
13,635	0
32,610	0
46,398	0
41,060	1,200
32,908	0
4,771,267	1,200
514,518	31,818
14,010,182	105,741
\$ 14,524,700	\$ 137,559

Osceola County

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2015

	Special			Revenue		Debt Service (Amended Ethanol TIF Areas P & I)	Non-Major Special Revenue	Total
	General	Rural Services	Secondary Roads	County Tax Increment Financing Projects (Amended Ethanol TIF Areas)	County Tax Increment Financing (Amended Ethanol TIF Areas)			
<b>Assets</b>								
Cash and Pooled Investments	\$ 1,557,928	112,534	2,025,260	793,666	0	28,414	230,325	4,748,127
Receivables:								
Property Tax:								
Delinquent	1,984	129	0	0	0	0	228	2,341
Succeeding Year	2,082,565	1,065,131	0	0	0	0	640,289	3,787,985
Tax Increment Financing:								
Succeeding Year	0	0	0	0	553,909	0	77,955	631,864
Interest and Penalty on Property Tax	11,018	0	0	0	0	0	0	11,018
Accounts	235,245	0	40	0	0	0	0	235,285
Accrued Interest	2,581	0	0	0	374	0	17	2,972
Due from County's Governmental Funds	30,000	0	288,417	0	0	0	0	318,417
Due from Agency Funds	28,461	0	0	0	0	0	186	28,647
Due from Other Governments	11,177	5,600	216,842	0	0	0	6,371	239,990
Inventories	0	0	538,958	0	0	0	0	538,958
Prepaid Expenditures	38,206	40	25,827	0	0	0	1,103	65,176
<b>Total Assets</b>	<b>\$ 3,999,165</b>	<b>1,183,434</b>	<b>3,095,344</b>	<b>793,666</b>	<b>554,283</b>	<b>28,414</b>	<b>956,474</b>	<b>10,610,780</b>

**Liabilities, Deferred Inflows of Resources  
and Fund Balances**

**Liabilities:**

Accounts Payable	\$	37,707	3,640	87,241	12,777	0	0	21,978	163,343
Salaries and Benefits Payable		6,589	263	23,957	0	0	0	0	30,809
Due to County's Governmental Funds		0	0	0	0	30,000	0	288,417	318,417
Due to Component Unit (Public Safety)		0	0	0	0	0	0	6,993	6,993
Due to Other Governments		7,754	0	631	0	0	0	12,194	20,579
<b>Total Liabilities</b>		<b>52,050</b>	<b>3,903</b>	<b>111,829</b>	<b>12,777</b>	<b>30,000</b>	<b>0</b>	<b>329,582</b>	<b>540,141</b>

**Deferred Inflows of Resources:**

Unavailable Revenues:

Succeeding Year Property Tax	2,082,565	1,065,131	0	0	0	0	640,289	3,787,985
Succeeding Year Tax Increment Financing	0	0	0	0	553,909	0	77,955	631,864
Other	224,204	5,729	0	0	0	0	228	230,161
<b>Total Deferred Inflows of Resources</b>	<b>2,306,769</b>	<b>1,070,860</b>	<b>0</b>	<b>0</b>	<b>553,909</b>	<b>0</b>	<b>718,472</b>	<b>4,650,010</b>

**Fund Balances:**

Nonspendable:

Inventories	0	0	538,958	0	0	0	0	538,958
Prepaid Expenditures	38,206	40	25,827	0	0	0	1,103	65,176

Restricted for:

Supplemental Levy Purposes	364,572	0	0	0	0	0	0	364,572
Jail Improvements/Courthouse Security	73,613	0	0	0	0	0	0	73,613
Conservation Land Acquisition Purposes	199,168	0	0	0	0	0	0	199,168
Rural Services Purposes	0	108,631	0	0	0	0	0	108,631
Secondary Roads Purposes	0	0	2,418,730	0	0	0	0	2,418,730
Urban Renewal Purposes	0	0	0	780,889	0	0	0	780,889
Debt Service	0	0	0	0	0	28,414	0	28,414
Other Purposes	0	0	0	0	0	0	211,486	211,486
Unassigned	964,787	0	0	0	(29,626)	0	(304,169)	630,992

**Total Fund Balances**

<b>Total Fund Balances</b>	<b>1,640,346</b>	<b>108,671</b>	<b>2,983,515</b>	<b>780,889</b>	<b>(29,626)</b>	<b>28,414</b>	<b>(91,580)</b>	<b>5,420,629</b>
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**Total Liabilities, Deferred Inflows  
of Resources and Fund Balances**

<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,999,165</b>	<b>1,183,434</b>	<b>3,095,344</b>	<b>793,666</b>	<b>554,283</b>	<b>28,414</b>	<b>956,474</b>	<b>10,610,780</b>
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See Notes to Financial Statements.



## Osceola County

**Reconciliation of the Balance Sheet –  
Governmental Funds to the Statement of Net Position**

**June 30, 2015**

**Total Governmental Fund Balances (Pages 24-25)** \$ 5,420,629

*Amounts reported for governmental activities in the  
Statement of Net Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$19,215,060 and the accumulated depreciation is \$5,958,724.

13,256,336

Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.

230,161

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources	\$ 252,785	
Deferred inflows of resources	(460,837)	(208,052)

Long-term liabilities, including accrued interest payable, compensated absences payable, general obligation loans and bonds, net pension liability, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

(4,174,374)

**Net Position of Governmental Activities (Pages 20-21)** \$ 14,524,700

See Notes to Financial Statements.

**Osceola County**

**Statement of Revenues, Expenditures and  
Changes in Fund Balances Governmental Funds**

**Year Ended June 30, 2015**

		<u>Special</u>	
	<u>General</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
<b>Revenues:</b>			
Property and Other County Tax	\$ 2,126,511	1,026,992	0
Tax Increment Financing	0	0	0
Interest and Penalty on Property Tax	14,617	0	0
Intergovernmental	254,853	66,245	2,488,662
Licenses and Permits	390	4,300	11,520
Charges for Service	336,746	0	144
Use of Money and Property	31,391	3,200	17,089
Miscellaneous	97,966	0	54,626
<b>Total Revenues</b>	<u>2,862,474</u>	<u>1,100,737</u>	<u>2,572,041</u>
<b>Expenditures:</b>			
Operating:			
Public Safety and Legal Services	828,530	0	0
Physical Health and Social Services	198,824	16,798	0
Mental Health	0	0	0
County Environment and Education	458,730	99,251	0
Roads and Transportation	0	0	3,114,582
Governmental Services to Residents	284,944	1,545	0
Administration	808,714	0	0
Non-Program Current	0	0	0
Debt Service	10,591	46,238	0
Capital Projects	12,122	0	0
<b>Total Expenditures</b>	<u>2,602,455</u>	<u>163,832</u>	<u>3,114,582</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>260,019</u>	<u>936,905</u>	<u>(542,541)</u>
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	78,120	0	55,510
Operating Transfers In	0	11,770	900,328
Operating Transfers Out	(11,770)	(900,328)	0
<b>Total Other Financing Sources (Uses)</b>	<u>66,350</u>	<u>(888,558)</u>	<u>955,838</u>
<b>Changes in Fund Balances</b>	326,369	48,347	413,297
<b>Fund Balances Beginning of Year, as Restated</b>	<u>1,313,977</u>	<u>60,324</u>	<u>2,570,218</u>
<b>Fund Balances End of Year</b>	<u><u>\$ 1,640,346</u></u>	<u><u>108,671</u></u>	<u><u>2,983,515</u></u>

See Notes to Financial Statements.



Revenue					
County Tax Increment Financing Projects (Amended Ethanol TIF Areas)	County Tax Increment Financing (Amended Ethanol TIF Areas)	Debt Service (Amended Ethanol TIF Areas P & I)	Non-Major Special Revenue	Total	
0	0	0	600,721	3,754,224	
0	470,420	0	80,492	550,912	
0	0	0	0	14,617	
0	20,959	0	240,619	3,071,338	
0	0	0	0	16,210	
0	0	0	1,702	338,592	
0	4,829	0	191	56,700	
0	0	0	49,879	202,471	
0	496,208	0	973,604	8,005,064	
0	0	0	447,332	1,275,862	
0	0	0	0	215,622	
0	0	0	226,725	226,725	
672,629	0	0	29,690	1,260,300	
0	0	0	0	3,114,582	
0	0	0	1,930	288,419	
0	0	0	0	808,714	
0	0	0	61,026	61,026	
0	0	422,923	0	479,752	
0	0	0	67,533	79,655	
672,629	0	422,923	834,236	7,810,657	
(672,629)	496,208	(422,923)	139,368	194,407	
0	0	0	0	133,630	
0	0	430,486	0	1,342,584	
0	(430,486)	0	0	(1,342,584)	
0	(430,486)	430,486	0	133,630	
(672,629)	65,722	7,563	139,368	328,037	
1,453,518	(95,348)	20,851	(230,948)	5,092,592	
780,889	(29,626)	28,414	(91,580)	5,420,629	

**Osceola County**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances –**  
**Governmental Funds to the Statement**  
**of Activities**  
**Year Ended June 30, 2015**

**Change in Fund Balances - Total Governmental Funds (pages 28-29)** \$ 328,037

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures were exceeded by depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 52,472	
Depreciation expense	(769,489)	(117,017)

In the Statement of Activities, the gains and losses on the disposition of capital assets are reported, whereas the governmental funds report the proceeds from the disposition of capital assets as an increase in financial resources (the basis of the capital assets disposed does not affect the governmental funds). (210,842)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax	(79)	
Other	49,297	49,218

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. There were no current year debt issuances. Current year repayments were as follows:

Repaid long-term liabilities		412,498
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The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 183,825

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Interest on long-term debt	92	
Compensated absences	(14,816)	
Pension expense	(87,305)	
Other postemployment benefits	(29,672)	(131,201)

**Change in Net Position of Governmental Activities (pages 22-23)** \$ 514,518

See Notes to Financial Statements.

## Osceola County

Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2015

**Assets**

Cash and Pooled Investments:		
County Treasurer	\$	847,819
Other County Officials		47,710
Receivables:		
Property Tax:		
Delinquent		12,320
Succeeding Year		7,506,294
Tax Increment Financing:		
Succeeding Year		236,901
Accounts		6,565
Accrued Interest		2
Special Assessments		4,358
Due from Other Agency Funds		166
Due from Other Governments		28,506
Prepaid Expenses		10,399
<b>Total Assets</b>		<u>8,701,040</u>

**Liabilities**

Accounts Payable	1,521
Salaries and Benefits Payable	680
Due to Primary Government	28,647
Due to Other Agency Funds	166
Due to Component Unit	11,526
Due to Other Governments	8,596,214
Trusts Payable	58,022
Compensated Absences	4,264
<b>Total Liabilities</b>	<u>8,701,040</u>
<b>Net Position</b>	<u>\$ 0</u>

See Notes to Financial Statements.



## Osceola County

### Notes to Financial Statements

June 30, 2015

#### (1) Summary of Significant Accounting Policies

Osceola County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. Appointed/hired officials that assist the Board of Supervisors include the Conservation Director and Engineer. Osceola County contracts with Lyon County for the Central Point Coordinator position. The County provides numerous services to citizens, including law enforcement (in conjunction with the Public Safety Commission), health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Osceola County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. Criteria also can include an organization's fiscal dependency on the County or if it would be significantly misleading to exclude an organization because of its relationship with the County.

These financial statements present Osceola County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Fifty-one drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Osceola County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Osceola County Auditor's office.

Discretely Presented Component Unit – The Public Safety Commission is presented in a separate column to emphasize that it is legally separate from the County, but is financially accountable to the County, or whose relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. The Public Safety Commission, a Chapter 28E Organization formed by Osceola County and each of the cities in Osceola County, is governed by representatives appointed by each of the members and is the sole provider of public (governmental) law enforcement for all of Osceola County. Osceola County approves the Public Safety Commission's tax rates and levies a unified law tax on behalf of the Commission. Osceola County collected and expended \$443,332 (\$442,643 on a cash basis) through the Unified Law Levy Fund to the Public Safety Commission for the unified law levy during the fiscal year ended June 30, 2015. Osceola County's expenditure for its contribution for contract law enforcement to the Public Safety Commission was \$203,792 from the General Basic Fund for the fiscal year ended June 30, 2015. In addition, the County provided the Public Safety Commission with bookkeeping and payroll services (which, in exchange for providing these services, the County gets to keep all investment income earned on Public Safety Commission funds). The financial statements for the Public Safety Commission, which are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board, are presented in this audit report as a discretely presented component unit and more detailed financial information is reported as other supplementary information in the schedules.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Osceola County Assessor's Conference Board, Osceola County Emergency Management Commission, Osceola County Joint E911 Service Board, Northwest Iowa Area Solid Waste Agency, the Hazardous Material Response Commission (Region III), Northwest Iowa Contracting Consortium, Northwest Iowa Care Connections and Northwest Iowa Regional Housing Authority. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County for the Osceola County Assessor, Osceola County Emergency Management Commission and Osceola County Joint E911 and not reported for the Northwest Iowa Solid Waste Agency, the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium, the Northwest Iowa Care Connections and the Northwest Iowa Regional Housing Authority.

During the fiscal year ended June 30, 2015, the County did not receive any revenue from or contribute/pay any money to the County Assessor, E911, the Hazardous Material Response Commission (Region III) or the Northwest Iowa Contracting Consortium. Osceola County contributed \$30,126 through the General Fund toward support of the Emergency Management Services; paid \$774 out of the General Fund to the Northwest Iowa Solid Waste Agency for disposal of chemicals; made a \$3,627 contribution from the General Fund for operations to the Northwest Iowa Regional Housing Authority; and paid \$171,071 through the Mental Health Fund to the Northwest Iowa Care Connections for the County's share of regional mental health services. In addition, the County provided the County Assessor, Emergency Management and E911 with bookkeeping and payroll services (which, in exchange for providing these services, the County gets to keep all investment income earned on the County Assessor and Emergency Management Funds).

Joint Venture – The County is a participant with the cities in Osceola County in a joint venture to manage the Osceola County Economic Development Commission, a Chapter 28E Organization. The Commission is governed by a six-member board composed of one representative from each governmental entity. The purpose of the Commission is to develop new economic opportunities in Osceola County. The County has an ongoing financial responsibility to provide funding to the Commission for the Commission's continued existence. During the year ended June 30, 2015, the amount of money expended by the County for the Commission amounted to \$57,161 in support (\$17,148 from the General Fund and \$40,013 from the Rural Services Fund). Please see Note to the Financial Statements (7) for information on a general obligation loan that the County owes to the Osceola County Economic Development Commission. Financial information on the Commission is not included with the County's financial statements. Financial statements for the Commission may be obtained from the Commission's office in the Osceola County Courthouse in Sibley, Iowa.

## B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are mainly supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

**Special Revenue:**

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund is currently being used to account for resources received from the “General Obligation County Purpose and Refunding Bonds, Series 2013A” to be spent on projects in the Amended Urban Renewal District 1 (Ethanol Plant) Plan areas. Projects consist of constructing water system extensions and improvements, constructing road improvements to assist in economic development resulting in job and wealth creation, constructing sanitary sewer system improvements, and any other projects deemed to meet public purpose within the urban renewal plan areas.



The County Tax Increment Financing (Amended Ethanol TIF Areas) Fund is currently being used to account to account for the collection of tax increment financing related to the Urban Renewal District 1 (Ethanol Plant) Amended Plan areas. The tax increment financing proceeds are being collected for the County's "General Obligation County Purpose and Refunding Bonds, Series 2013A" debt service requirements.

The Debt Service (Amended Ethanol TIF Areas P & I) Fund is utilized to account for interest earned by amounts in this fund and for operating transfers in of tax increment financing collections generated by the Urban Renewal District 1 (Ethanol Plant) Amended Plan areas. These proceeds are to be used for the payment of interest and principal on the County's "General Obligation County Purpose and Refunding Bonds, Series 2013A".

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

Separate financial statements for the County's discretely presented component unit, the Public Safety Commission, are included as part of the supplementary information in the schedules.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax and tax increment financing are recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The separate financial statements for the County's discretely presented component unit, the Public Safety Commission, are also reported in the schedules using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current year. For this purpose, the County and Public Safety Commission consider revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), charges for services, interest and certain miscellaneous revenues associated with the current fiscal year are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County and the Public Safety Commission.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, any claims and judgments and compensated absences (for employees who haven't terminated employment) are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds (this also applies to the Public Safety Commission). Proceeds of general long-term debt and any acquisitions under capital leases/installment purchases are reported as other financing sources, as applicable.

Under the terms of grant agreements, the County and Public Safety Commission fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is both the County's and Public Safety Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances. The Public Safety Commission also follows this same policy.

The County, as well as the Public Safety Commission, maintains its financial records on the cash basis. The financial statements of the County, including the Public Safety Commission's financial information, are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most County and Public Safety Commission funds are pooled and invested. Interest earned on investments, including Public Safety Commission interest earnings per an agreement between the County and the Commission, is recorded in the General Fund, unless otherwise provided by law or agreement. Investments in the Iowa Public Agency Investment Trust are valued at amortized cost and non-negotiable certificates of deposit are stated at cost.

Property Tax and Tax Increment Financing Receivables – Property tax and tax increment financing in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax and tax increment financing receivables are recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent taxes certified by the Board of Supervisors to be

collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenues are deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which each is levied.

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; are based on January 1, 2013, assessed property valuations; are for the tax accrual period July 1, 2014 through June 30, 2015; and reflect the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Accounts Receivable – Accounts receivable represents money owed to the County, mainly for services provided by the County, which was not paid as of June 30, 2015. The General Fund accounts receivable total includes \$152,556 in jail fees receivables and \$57,479 in ambulance charges receivables for which it is possible that a large portion of the \$152,556 in jail fees and up to \$53,394 in ambulance charges receivables may not be collected within one year.

Due from Primary Government (County), Due from County's Agency Funds, Due from County's Governmental Funds, Due from Other Agency Fund, Due to Component Unit (Public Safety), Due to County's Governmental Funds, Due to Primary Government (County), and Due to Other Agency Fund – During the course of its operations, the County has numerous transactions between the County's governmental funds, agency funds and the Public Safety Commission. To the extent that certain transactions between the County's governmental funds, agency funds and the Public Safety Commission had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Secondary Roads Fund consist mainly of expendable supplies held for consumption and some supplies available for resale. Inventories of the Secondary Roads Fund are recorded as expenses/expenditures when consumed or sold rather than when purchased.

Prepaid Expenses/Expenditures – Prepaid expenses/expenditures represent insurance coverages and other expenses/expenditures which will benefit a future fiscal year.

Prepayments are recorded as expenses/expenditures when utilized rather than when paid for.

Capital Assets – Capital assets, which include property, equipment/machinery and vehicles, intangibles (when applicable) and infrastructure assets acquired after July 1, 2004 (e.g., roads, bridges, drainage systems and similar items which are immovable and of value only to the County), are reported in the governmental activities and component unit – Public Safety Commission columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County and Public Safety Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles	25,000
Land, Buildings and Improvements	5,000
Machinery, Equipment and Vehicles	5,000

Capital assets of the County and the Public Safety Commission are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and Improvements	25 – 50
Land Improvements	10 – 50
Infrastructure	10 – 65
Intangibles	3 – 40
Machinery and Equipment	3 – 20
Vehicles	5 – 15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved or other specific requirements are attained.

Compensated Absences – County and Public Safety Commission employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for the cost of vacation and compensatory time termination accumulations is reported in governmental fund financial statements, and the separate financial statements presented in the schedules for the County's discretely presented component unit, the Public Safety Commission, only for employees that have resigned, retired or employment has terminated for any other reason. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities of the County will be paid primarily by the General and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and any other long-term obligations are reported as liabilities in the applicable governmental activities and the County's discretely presented component unit, the Public Safety Commission, Statement of Net Position.

In the governmental fund financial statements, the premium on debt issuances and the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures, as applicable.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements, and the separate financial statements presented in the schedules for the County's discretely presented component unit, the Public Safety Commission, represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable, tax increment financing receivable, and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which each tax is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the County's governmental funds, and the Public Safety Commission financial statements presented in the schedules, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts, which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors/Public Safety Commission Board through passage of an ordinance or resolution, approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors/Public Safety Commission Board removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors/Public Safety Commission Board intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The County's budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements did not exceed the amount budgeted for any function or the amount appropriated for any department.

## (2) **Cash and Pooled Investments**

The County's deposits in banks at June 30, 2015, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute and its written investment policy to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$593,179 pursuant to Rule 2a-7 under the Investment Company Act of 1940, that are not subject to risk categorization.

The Public Safety Commission's deposits and investments are commingled with County funds held by the County Treasurer and satisfy all the same requirements as the County's deposits and investments.

Credit risk - The investments in the Iowa Public Agency Investment Trust are unrated.

**(3) Due from Primary Government (County), Due from County's Agency Funds, Due from County's Governmental Funds, Due from Other Agency Fund, Due to Component Unit (Public Safety), Due to County's Governmental Funds, Due to Primary Government (County), and Due to Other Agency Fund**

The detail of the receivables and payables between the County's governmental funds (primary government) and the discretely presented component unit – Public Safety Commission as of June 30, 2015, are as follows:

Receivable Fund	Payable Fund	Amount
Component Unit: Public Safety Commission	Special Revenue: Unified Law Levy	<u>\$ 6,993</u>

This balance results from the time lag between the dates the unified law levy proceeds are received by the County, the transactions are recorded in the accounting system and the resulting payments are made to the Public Safety Commission.

The detail of receivables and payables between the County's different governmental funds, between agency funds and the County's governmental funds, between different agency funds, and between agency funds and the Public Safety Commission for transactions at June 30, 2015, is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: County Tax Increment Financing (Amended Ethanol TIF Areas)	\$ 30,000
	Agency: County Offices (Recorder, Sheriff and Auditor)	20,401
	Auto License and Use Tax	5,525
	Other (Flex Spending)	2,535
Special Revenue: Secondary Roads	Special Revenue: County Tax Increment Financing (Cenex Coop TIF Area)	288,417

County Recorder's Records Management	Agency: County Offices (Recorder)	166
Sheriff's Asset Forfeiture	County Offices (Sheriff)	20
Agency: Other (Co. Recorder's Electronic Fee)	County Offices (Recorder)	166
Component Unit: Public Safety Commission	County Offices (Sheriff)	<u>11,526</u>
	Total	<u>\$ 358,756</u>

Most of these balances result from the time lag between the dates interfund goods and services are provided, reimbursable expenditures occur and/or money is collected in an agency fund, the transactions/collections are recorded in the accounting system, and the resulting payments are made to the County's appropriate governmental or agency fund or the Public Safety Commission.

The balances owed to the General Fund by the County Tax Increment Financing (Amended Ethanol TIF Areas) Fund and to the Secondary Roads Fund by the County Tax Increment Financing (Cenex Coop TIF Area) Fund are the result of interfund loans to help finance development projects within the County's designated urban renewal areas. Repayments will be made on these interfund loans as tax increment financing proceeds are received. The \$30,000 owed to the General Fund by the County Tax Increment Financing (Amended Ethanol TIF Areas) is expected to be repaid in fiscal year 2015/2016. Of the \$288,417 owed to the Secondary Roads Fund by the County Tax Increment Financing (Cenex Coop TIF Area) Fund, \$25,596 is expected to be repaid in fiscal year 2015/2016 and \$262,821 is not expected to be collected until after fiscal year 2015/2016.

#### (4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015, is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Rural Services	General	\$ 11,770
Secondary Roads	Special Revenue: Rural Services	900,328
Debt Service (Amended Ethanol TIF Areas P & I)	County Tax Increment Financing (Amended Ethanol TIF Areas)	<u>430,486</u>
Total		<u>\$ 1,342,584</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer into the Rural Services Fund was to move certain prior year rental earnings into the proper fund; the transfer into Secondary Roads were for compliance with the local effort provision (Iowa Code Section 312.2(5)); and the transfer into the Debt Service (Amended Ethanol TIF Areas P & I) Fund



was to move certain TIF collections in accordance with bond requirements to the fund required to make debt service payments on the General Obligation County Purpose and Refunding Bonds, Series 2013A.

**(5) Capital Assets**

Capital assets activity for the County and the Public Safety Commission for the year ended June 30, 2015, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>County Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,505,716	55,000	(78,120)	1,482,596
Construction in Progress	0	20,633	0	20,633
Total Capital Assets Not Being Depreciated	1,505,716	75,633	(78,120)	1,503,229
Capital Assets Being Depreciated:				
Buildings and Improvements	1,087,546	0	0	1,087,546
Machinery, Equipment and Vehicles	5,562,254	576,839	( 399,421)	5,739,672
Infrastructure	10,884,613	0	0	10,884,613
Total Capital Assets Being Depreciated	17,534,413	576,839	( 399,421)	17,711,831
Less Accumulated Depreciation For:				
Buildings and Improvements	536,128	25,747	0	561,875
Machinery, Equipment and Vehicles	2,952,514	248,293	( 266,699)	2,934,108
Infrastructure	1,967,292	495,449	0	2,462,741
Total Accumulated Depreciation	5,455,934	769,489	( 266,699)	5,958,724
Total Capital Assets Being Depreciated, Net	12,078,479	(172,017)	( 132,722)	11,773,740
Governmental Activities Capital Assets, Net	\$ 13,584,195	(117,017)	( 210,842)	13,256,336

The County does not have any “intangible” capital assets as of June 30, 2015.

Depreciation expense for the County was charged to the following functions:

**Governmental Activities:**

Public Safety and Legal Services	\$ 17,588
County Environment and Education	79,511
Roads and Transportation	641,884
Governmental Services to Residents	14,870
Administration	15,636
Total Depreciation Expense – Governmental Activities	<u>\$ 769,489</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Discretely Presented Component Unit – Public Safety Commission:</b>				
Capital Assets Depreciated/Amortized:				
Machinery, Equipment and Vehicles	\$ 411,451	64,234	( 36,345)	439,340
Intangibles	0	43,990	0	43,990
Total Capital Assets Being Depreciated/Amortized	411,451	108,224	( 36,345)	483,330
Less Accumulated Depreciation For:				
Machinery, Equipment and Vehicles	242,930	25,511	( 9,529)	258,912
Public Safety Commission Capital Assets, Net	\$ 168,521	82,713	( 26,816)	224,418

The Public Safety Commission does not have any amortization on an “intangible” capital asset as of June 30, 2015.

#### (6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax and other County tax (including TIF) for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2015, is as follows:

Fund	Description	Amount
General	Services/Utilities	\$ 7,754
Special Revenue:		
Secondary Roads	Utilities	631
Drainage	Services	12,194
		12,825
Total for Governmental Funds		\$ 20,579
Agency:		
County Offices	Collections	\$ 12,713
Agricultural Extension Education		136,295
County Assessor		374,316
Schools		5,451,289
Community Colleges		353,815
Corporations		1,567,751
Townships		149,968
Auto License and Use Tax		160,181
E911 Surcharge		299,698
Emergency Management Services		87,593
Other Funds		2,595
Total for Agency Funds		\$ 8,596,214

**(7) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the County and the Public Safety Commission for the year ended June 30, 2015, is as follows:

<b><u>County</u></b>	OCEDC General Obligation Loan	Osceola Electric Coop. General Obligation Loan	General Obligation County Purpose & Refunding Bonds	John Deere Financial Installment Purchase
Balance Beginning of Year	\$ 98,512	147,600	3,070,000	10,591
Increases	0	0	0	0
Decreases	(5,007)	(36,900)	(360,000)	(10,591)
Balance End of Year	\$ 93,505	110,700	2,710,000	0

Due Within One Year	\$ 17,651	36,900	365,000	0
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<b><u>County (Continued)</u></b>	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance Beginning of Year, as Restated	\$ 79,761	1,520,736	93,257	5,020,457
Increases	92,807	0	29,672	122,479
Decreases	(77,991)	(482,612)	0	(973,101)
Balance End of Year	\$ 94,577	1,038,124	122,929	4,169,835
Due Within One Year	\$ 94,577	0	0	514,128

<b><u>Component Unit-Public Safety Commission</u></b>	TAC 10, Inc. Lease-Purchase	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance Beginning of Year, as Restated	\$ 0	68,133	268,307	17,619	354,059
Increases	43,990	33,148	0	0	77,138
Decreases	(4,399)	(36,786)	(321,635)	(1,377)	(364,197)
Balance End of Year	\$ 39,591	64,495	(53,328)	16,242	67,000
Due Within One Year	\$ 13,197	64,495	0	0	77,692

**Osceola County Economic Development Commission (OCEDC) General Obligation Loan**

On February 28, 2008, the County entered into a loan agreement with the Osceola County Economic Development Commission (OCEDC) for \$140,000. This loan was used to purchase real estate known as the "Highpoint of Iowa" or "Hawkeye Point". The terms on this note payable included a 4.5% interest rate, monthly payments based on a 25 year amortization schedule and a balloon payment of the remaining balance due after 10 years.

In August 2015, this note payable was refinanced by paying the principal balance down to \$80,000. The terms on this note payable were changed to a 3% interest rate with monthly payments based on a 10 year amortization schedule. The maturity date remained the same as in the original loan agreement (a balloon payment of the remaining balance due on February 28, 2018). Based on the refinanced terms, a summary of the County's June 30, 2015 OCEDC note payable indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	4.50%-3.00%	\$ 17,651	2,559	20,210
2017	3.00%	5,079	2,206	7,285
2018	3.00%	70,775	1,395	72,170
Totals		<u>\$ 93,505</u>	<u>6,160</u>	<u>99,665</u>

During the year ended June 30, 2015, the County paid off principal of \$5,007 and interest of \$4,331 on this loan through the Rural Services Fund in the Debt Service function.

If default is made on any payment of this note, or if the OCEDC believes itself insecure, the entire principal and accrued interest may be declared due and payable by the OCEDC. The interest rate during the default period is 10%.

This note is secured by a real estate mortgage on the "Hawkeye Point" property. The "Hawkeye Point" property is recorded as a capital asset on the County's financial statements with a June 30, 2015, book value (capitalized cost of \$124,740 less accumulated depreciation of \$19,106) of \$105,634.

#### **Osceola Electric Cooperative, Inc. General Obligation Loan**

On September 14, 2007, the County entered into a loan agreement with the Osceola Electric Cooperative, Inc. for \$369,000 at a 0% interest rate through the Cooperative's revolving loan fund (Rural Economic Development Loan and Grant Program). The loan is payable in ten annual payments of \$36,900. The \$369,000 in loan proceeds was actually received in December 2008. The proceeds of the loan were used to purchase 41 acres of land near Highways 9 and 60 for economic development. Additionally, in September 2007, as a matching requirement for this 0% interest loan, the County made a \$69,000 contribution to the Osceola Electric Cooperative, Inc. out of the General Basic Fund. A summary of the County's June 30, 2015, Osceola Electric Cooperative, Inc. note payable indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal
2016	0%	\$ 36,900
2017	0%	36,900
2018	0%	36,900
Total		<u>\$ 110,700</u>

During the year ended June 30, 2015, the County paid off principal of \$36,900 on this note (there is no interest being charged). This loan is being repaid through the Rural Services Fund in the Debt Service function. If any payment is made more than ten days after the

due date, a late charge will be computed. If default is made in the payment of this note, the entire principal and a calculated accrued interest amount may be declared due and payable by the Cooperative.

### **General Obligation County Purpose and Refunding Bonds, Series 2013A**

A summary of the County's June 30, 2015 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	2.00%	\$ 365,000	55,222	420,222
2017	2.00%	370,000	47,923	417,923
2018	2.00%	380,000	40,522	420,522
2019	2.00%	385,000	32,923	417,923
2020	2.00%	395,000	25,223	420,223
2021-2022	2.05-2.20%	815,000	26,342	841,342
Totals		\$ 2,710,000	228,155	2, 938,155

The "General Obligation County Purpose and Refunding Bonds, Series 2013A" in the original amount of \$3,430,000 and dated December 15, 2013, were issued to pay expenditures related to projects in the Amended Urban Renewal District 1 (Ethanol Plant) Plan areas, to refund the County's "Urban Renewal Revenue Capital Loan Notes, Series 2004," and to refund the County's "General Obligation County Purpose Loan Agreement Anticipation Project Note, Series 2013". Anticipated urban renewal projects consist of constructing water system extensions and improvements, constructing road improvements to assist in economic development resulting in job and wealth creation, constructing sanitary sewer system improvements, and any other projects deemed to meet public purpose within the urban renewal areas.

The net interest cost for these bonds is 1.988%. The County reserves the right to optionally prepay part or all of the principal of the Bonds maturing in each of the years 2021 and 2022, inclusive, prior to and in any order of maturity on June 1, 2020, or on any date thereafter upon terms of par and accrued interest.

During the year ended June 30, 2015, the County retired \$360,000 of the general obligation bonds, paid \$62,423 in interest and \$500 in bond administration fees. These general obligation bonds are being redeemed through the Debt Service (Amended Ethanol TIF Areas P & I) Fund and reported as Debt Service function expenditures.

### **John Deere Financial Installment Purchase**

On July 31, 2013, the County entered into an installment purchase contract with John Deere Financial to acquire a tractor and loader for the Conservation department at a 0% annual percentage interest rate. The total cost of the tractor and loader, including fees, was \$40,091. During fiscal year 2015, the County paid off the remaining principal balance of \$10,591 (there was no interest charged) through the General Fund. This payment is reported in the Debt Service function in the modified accrual fund financial statements.

## **TAC 10, Inc. Capital-Lease Agreement (Public Safety Commission)**

On November 25, 2014, the Public Safety Commission entered into a capital lease contract with Greyhawk Commercial Finance, L.L.C. to lease-to-own TAC 10, Inc. software and services at a 0% annual percentage interest rate. The total cost of this software and services was \$43,990. During fiscal year 2015, the Public Safety Commission paid \$4,399 toward this capital-lease acquisition. The June 30, 2015 TAC 10, Inc. software and services capital-lease payable indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal
2016	0%	\$ 13,197
2017	0%	13,197
2018	0%	13,197
Total		<u>\$ 39,591</u>

If a payment on this capital-lease is not paid timely, the contract stipulates an 18% interest rate from the due date on the amount not paid timely, an additional 7% penalty on the amount owed if not paid within 10 days of the due date and any costs incurred by Greyhawk Commercial Finance, L.L.C. due to untimely payment. This capital-lease contract is secured by the TAC 10, Inc. software. The TAC 10, Inc. software is recorded as a capital asset on the Commission's full accrual financial statements

### **(8) Pension and Retirement Benefits**

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff and deputy and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the County contributed 8.93 percent for a total rate of 14.88 percent. Sheriff and deputy members and the County both contributed 9.88 percent of pay for a total rate of 19.76 percent. Protection occupation members contributed 6.76 percent of pay and the County contributed 10.14 percent for a total rate of 16.90 percent.

The County's contributions to IPERS for the year ended June 30, 2015 were \$183,825 (this amount includes \$172,807 for County employees/officials and \$11,018 for Assessor and Emergency Management employees). The Public Safety Commission's contributions to IPERS for the year ended June 30, 2015 were \$67,242.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the County reported a liability of \$1,038,124 for its proportionate share of the net pension liability and the Public Safety Commission reported an asset of \$53,328 for its proportionate share of the net pension liability (asset at this time). The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County and Public Safety Commission's proportions of the net pension liability were based on each entity's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.0261762%, which was a decrease of (0.000310%) from its collective proportion measured as of June 30, 2013. At June 30, 2014, the Public Safety Commission's collective proportion was a negative (0.0013447%), which was a decrease of (0.006018%) from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized a negative pension expense of \$(96,520). At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of Resource	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,767	\$ 4,015
Changes of assumptions	47,782	96
Net difference between projected and actual earnings on pension plan investments	0	456,726
Changes in proportion and differences between County contributions and proportionate share of contributions	9,411	0
County contributions subsequent to the measurement date	183,825	0
Total	<u>\$ 252,785</u>	<u>\$ 460,837</u>

\$183,825 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:



Year Ended June 30,	Total
2016	\$ (99,030)
2017	(99,030)
2018	(99,030)
2019	(99,030)
2020	4,243
Total	<u>\$ (391,877)</u>

For the year ended June 30, 2015, the Public Safety Commission recognized a negative pension expense of \$(72,967). At June 30, 2015, the Public Safety Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of Resource	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 21,579
Changes of assumptions	0	22,327
Net difference between projected and actual earnings on pension plan investments	0	197,245
Changes in proportion and differences between County contributions and proportionate share of contributions	(12,194)	0
County contributions subsequent to the measurement date	67,242	0
Total	<u>\$ 55,048</u>	<u>\$ 241,151</u>

\$67,242 reported as deferred outflows of resources related to pensions resulting from the Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2016	\$ (62,419)
2017	(62,419)
2018	(62,419)
2019	(62,419)
2020	(3,669)
Total	<u>\$ (253,345)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term Investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<hr/> 100% <hr/>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County and Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County and Commission's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the

County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability:	\$ 2,092,759	1,038,124	148,066
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Public Safety Commission's proportionate share of the net pension liability:	\$ 371,335	( 53,328)	( 410,179)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on the IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the County and Public Safety Commission did not have any amounts payable to the defined benefit pension plan for legally required employer contributions or employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

## (9) Other Postemployment Benefits (OPEB)

Plan Description. The County, including the Public Safety Commission, operates a single employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 56 (44 County and 12 Public Safety Commission) active members and 1 retired member participating in the County's plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured medical plan administered by Wellmark, Inc. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County and the Public Safety Commission. The County and the Public Safety Commission currently finance the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County and the Public Safety Commission's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County and the Public Safety Commission, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County and the Public Safety Commission's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County and Public Safety Commission's net OPEB obligation:

	County's Governmental Activities	Public Safety Commission
Annual Required Contribution	\$ 37,156	\$ 6,006
Interest on Net OPEB Obligation	3,730	705
Adjustment to Annual Required Contribution	( 4,060)	( 385)
Annual OPEB Cost	36,826	6,326
Contributions Made	( 7,154)	( 7,703)
Increase (Decrease) in Net OPEB Obligation	29,672	( 1,377)
Net OPEB Obligation Beginning of Year	93,257	17,619
Net OPEB Obligation End of Year	<u>\$ 122,929</u>	<u>\$ 16,242</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the County contributed \$7,154 and the Public Safety Commission contributed \$7,703 to the medical plan. Plan members eligible for benefits did not make any contributions.

The County's governmental activities annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 36,801	19.4%	63,566
2014	\$ 36,845	19.4%	93,257
2015	\$ 36,826	19.4%	122,929

The Public Safety Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015, are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 6,375	120.8%	18,972
2014	\$ 6,351	121.3%	17,619
2015	\$ 6,326	121.8%	16,242

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2015, the actuarial accrued liability of the County was \$216,548, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$216,548. The County's covered payroll (annual payroll of active employees covered by the plan) was \$1,845,787 and the ratio of the UAAL to covered payroll was 11.7%. The actuarial accrued liability of the Public Safety Commission was \$70,314, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$70,314. The Public Safety Commission's covered payroll (annual payroll of active employees covered by the plan) was \$627,071 and the ratio of the UAAL to covered payroll was 11.2%. As of June 30, 2015, there were no trust fund assets for either the County or the Public Safety Commission.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012, actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County and Public Safety Commission's funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Combined Mortality Table Fully Generational using Scale AA. Annual retirement is based on the assumption that County employees would retire at age 61 (age 58 for Public Safety Commission employees) or upon meeting the minimum age/service requirement, whichever is later. If an employee is currently over 61 (58 for a Public Safety employee) and has met the minimum age/service requirement, the employee is assumed to retire immediately. Termination rates were set based on the age of the participants of the County and Public Safety Commission.

Projected claim costs of the medical plan are \$13,318 annually for retirees. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) Risk Management**

Osceola County and the Public Safety Commission are exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County and Public Safety Commission assume liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three fiscal years, except for \$185,022 paid from the General Fund to a former employee in a wrongful termination lawsuit settlement in fiscal year ending June 30, 2012.

**(11) Intergovernmental Agreement**

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2015, except for \$774 from the General Fund for the disposal of chemicals.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County by resolution has approved to act as a "Local Government Guarantee" in order to provide a financial assurance mechanism instrument for the Agency. The closure and post closure costs to the Agency have been estimated at \$3,566,908 as of June 30, 2015 and the portion of the liability that has been recognized by the Agency as of June 30, 2015 is \$1,406,185. Due to a change in estimate the remaining life of the landfill has been increased by 23 years. The estimated remaining life of the landfill is 63 years and the capacity used at June 30, 2015 is approximately 39 percent. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2015, assets of \$1,732,911 are restricted for these purposes.

The Agency has fully demonstrated financial assurance for closure and post closure care costs as required by Chapter 113 of the Iowa Administrative Code. The Agency has shown financial assurance by establishing a dedicated fund and funding it in accordance with GASB 18 funding rules. The Agency also has a local government guarantee and local government financial test in place for the unfunded amounts. Osceola County has provided a local government guarantee for a portion of the closure and post closure care costs of the Northwest Iowa Area Solid Waste Agency required by Chapter 567-113.14 of the Iowa Administrative Code. Osceola County's financial assurance obligation is \$306,000.

**(12) Osceola County Financial Information Included in the Northwest Iowa Care Connections Mental Health Region**

Northwest Iowa Care Connections Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective April 25, 2014, includes the following member counties: Clay County, Dickinson County, Lyon County, O'Brien County, Osceola County and Palo Alto County. The financial activity of Osceola County's Special Revenue, Mental Health (County Services) Fund is included in

the Northwest Iowa Care Connections Mental Health Region for the year ended June 30, 2015 as follows:

Revenues:

Property and Other County Tax		\$	183,073
Intergovernmental Revenues:			
State Tax Credits	\$	11,895	
Other State Tax Replacements		2,016	
Contribution from Regional Fiscal Agent		157,886	
Other Intergovernmental Revenues		88	171,885
Total Revenues			<u>354,958</u>

Expenditures:

Services to Persons with Mental Illness			253
General Administration			
Direct Administration		2,725	
Purchased Administration		23,230	
Distribution to Regional Fiscal Agent		171,071	197,026
Total Expenditures			<u>197,279</u>

Excess of Revenues Over Expenditures			157,679
Fund Balance Beginning of the Year			<u>(86,664)</u>
Fund Balance End of the Year		\$	<u>71,015</u>

**(13) Deficit Fund Balances**

The Special Revenue Funds, County Tax Increment Financing (Amended Ethanol TIF Areas), County Tax Increment Financing (Cenex Coop TIF Area) and County Tax Increment Financing (Windmills – Ocheyedan TIF Area), had deficit modified accrual fund balances at June 30, 2015 of (\$29,626), (\$288,417) and (\$15,752), respectively. Each of these deficit balances is the result of project costs in a County urban renewal area in excess of available urban renewal tax increment collections. Each deficit balance should be eliminated in future years upon collection of tax increment financing revenues within the urban renewal area.

**(14) Commitments**

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. The agreement is in effect until June 30, 2017, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous condition emergencies in the County. The County is also responsible for an annual base charge. In fiscal year ending June 30, 2017, the annual base charge will be adjusted to reflect the estimated U.S. Census Bureau population data for 2015. Assuming no revisions to the agreement for program costs or population base, the annual base charges for fiscal years ending June 30, 2016-17 would be \$5,493 per year for a total of \$10,986.

The payments for these charges are scheduled to be paid through the County's General Fund or the Osceola County Emergency Management Services. The County's General Fund paid \$5,493 during the fiscal year ended June 30, 2015.

In September 2013, the County entered into a \$228,902 construction contract for the "Enterprise Park Grading and Paving" project to be paid from the County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund (also, see Note to Financial Statements (16) – "Subsequent Events").

In April 2015, the County entered into a \$126,600 construction contract for the "Willow Creek Pond Repair" project to be paid from the County Conservation and Land Acquisition Fund.

#### **(15) Contingency**

In November 2015, several Osceola County land owners filed a petition for a Writ of Certiorari and Declaratory Judgment against Osceola County and the City of Harris due to the adoption of an Urban Renewal Plan adopted by the City of Harris and consented to by the County. The plaintiffs allege that the Urban Renewal Plan fails to comply with Iowa Code Chapter 403; the actions of the County and City are arbitrary, unreasonable, capricious, or an abuse of discretion; the consent of the County to the City violates the Petitioners' right to equal protection under the Iowa Constitution, Article One, Section Six; the taxing scheme is an irrational classification; and the inclusion of wind energy conversion property located outside the City does not comply with the City or County comprehensive plan. It is the County's position that the County has complied satisfactorily with each of the aforementioned allegations. The plaintiffs are not seeking any monetary damages from the County, but are seeking to have the court order Osceola County to remove the Urban Renewal Plan.

On February 22, 2016, the Plaintiffs' filed a Motion for Summary Judgment in Iowa District Court. On June 9, 2016, the Third Judicial District Court of Iowa overruled the Plaintiffs' Motion for Summary Judgment based on the court being unable to determine if the Plaintiffs' petition was timely filed. The County's insurance provider's legal counsel is handling the claim. Due to the nature and timing of this complaint, no amounts have been reflected in the County's financial statements in relation to this contingency.

#### **(16) Subsequent Events**

In July 2015, the County approved the sale of real estate known as Enterprise Park for \$13,680. This real estate is located in the Amended Ethanol Urban Renewal TIF Area. Upon completion of the sale of this real estate, the County approved and issued a related economic development grant of \$13,680 from the General Fund to the company which purchased this property.

During October and November 2015, pursuant to Section 403.4 of the Code of Iowa, the County adopted a resolution declaring the necessity for establishing an urban renewal area and formally approved plans and projects for the formation of Osceola County Urban Renewal Area 7. The Board authorized borrowing up to \$175,000 from the County's General Fund to provide funding for the Osceola County Urban Renewal Area 7's "Harris



Sewer” project. This interfund loan is scheduled to be repaid to the General Fund without interest from future tax incremental financing collections generated by Urban Renewal Area 7 and reported through the County Tax Increment Financing (Windmills – Harris TIF Area) Fund. The interfund loan established indicates the General Fund shall be repaid in one installment on or before June 1, 2017.

In February 2016, the County approved to financially assist the City of Ashton with an “Elevator Expansion” project in an amount not to exceed \$30,000. As of the audit report date, nothing has been paid to the City of Ashton on this project.

During fiscal year 2016, the construction contract for the “Enterprise Park Grading and Paving” project was completed and paid in full from the County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund. The final ending contract amount after change orders amounted to \$222,659.

## (17) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## (18) Prior Period Correction/Restatement

When an interfund loan was recorded in fiscal year 2013/2014 for the borrowing of \$96,000 from the General Fund to be used for Urban Renewal (Amended Ethanol TIF Areas) projects, the interfund loan should have been reported in the fund which would be collecting the tax increment financing proceeds used to satisfy this loan, not the urban renewal projects fund established by the Refunding Bonds issued. When interest receivable was accrued as of June 30, 2014 on the Amended Ethanol TIF Areas, this receivable should have been reported in the fund which the interest proceeds were actually going to be deposited into during fiscal year 2014/2015. The effect of these prior period corrections/restatements to properly present this interfund loan and accrued interest receivable are as follows:

	County Tax Increment Financing Projects (Amended Ethanol TIF Areas)	County Tax Increment Financing (Amended Ethanol TIF Areas)
Balances June 30, 2014, as Previously Reported	\$ 1,358,170	\$ 0
Accrued Interest Receivable	(652)	652
Due to General Fund (Interfund Loan)	96,000	(96,000)
Balances July 1, 2015, as Restated	\$ 1,453,518	\$ (95,348)

**(19) Accounting Change**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, was implemented during the fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Public Safety Commission
Net Position June 30, 2014, as Previously Reported	\$ 15,352,878	\$ 311,483
Net Pension Liability at June 30, 2014	( 1,520,736)	( 268,307)
Deferred Outflows of Resources Related to Prior Year Contributions Made After the June 30, 2013 Measurement Date	178,040	62,565
Net Position July 1, 2014, as Restated	\$ 14,010,182	\$ 105,741

**Osceola County**  
**Required Supplementary Information**

**Osceola County**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances–  
Budget and Actual (Cash Basis) – All Governmental Funds**

**Required Supplementary Information**

**Year Ended June 30, 2015**

	<b>All County Governmental Funds - Actual</b>	<b>Less Funds Not Required to be Budgeted</b>	<b>County Governmental Funds - Net</b>	<b>Budgeted Amounts</b>		<b>Final to Net Variance</b>
				<b>Original</b>	<b>Final</b>	
<b>Receipts:</b>						
Property and Other County Tax	\$ 4,305,327	0	4,305,327	4,340,200	4,340,200	(34,873)
Interest and Penalty on Property Tax	14,961	0	14,961	0	0	14,961
Intergovernmental	2,862,986	0	2,862,986	2,506,442	2,559,243	303,743
Licenses and Permits	16,110	0	16,110	20,950	20,950	(4,840)
Charges for Service	330,056	0	330,056	277,229	277,229	52,827
Use of Money and Property	56,763	169	56,594	53,080	53,080	3,514
Miscellaneous	202,023	46,398	155,625	58,640	60,640	94,985
<b>Total Receipts</b>	<b>7,788,226</b>	<b>46,567</b>	<b>7,741,659</b>	<b>7,256,541</b>	<b>7,311,342</b>	<b>430,317</b>
<b>Disbursements</b>						
Public Safety and Legal Services	1,296,067	0	1,296,067	1,247,337	1,337,428	41,361
Physical Health and Social Services	208,205	0	208,205	225,732	238,125	29,920
Mental Health	233,738	0	233,738	230,225	237,225	3,487
County Environment and Education	1,339,091	0	1,339,091	550,351	2,068,953	729,862
Roads and Transportation	3,192,908	0	3,192,908	3,077,286	3,207,286	14,378
Governmental Services to Residents	357,851	0	357,851	319,618	380,123	22,272
Administration	822,255	0	822,255	823,602	855,227	32,972
Non-Program Current	61,026	0	61,026	61,027	61,027	1
Debt Service	469,161	0	469,161	468,662	500,124	30,963
Capital Projects	77,504	64,870	12,634	220,000	220,000	207,366
<b>Total Disbursements</b>	<b>8,057,806</b>	<b>64,870</b>	<b>7,992,936</b>	<b>7,223,840</b>	<b>9,105,518</b>	<b>1,112,582</b>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	<b>(269,580)</b>	<b>(18,303)</b>	<b>(251,277)</b>	<b>32,701</b>	<b>(1,794,176)</b>	<b>1,542,899</b>
<b>Other Financing Sources, Net</b>	<b>133,630</b>	<b>0</b>	<b>133,630</b>	<b>0</b>	<b>166,110</b>	<b>(32,480)</b>
<b>Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	<b>(135,950)</b>	<b>(18,303)</b>	<b>(117,647)</b>	<b>32,701</b>	<b>(1,628,066)</b>	<b>1,510,419</b>
<b>Balances Beginning of Year</b>	<b>4,884,077</b>	<b>82,499</b>	<b>4,801,578</b>	<b>3,053,131</b>	<b>3,053,131</b>	<b>1,748,447</b>
<b>Balances End of Year</b>	<b>\$ 4,748,127</b>	<b>64,196</b>	<b>4,683,931</b>	<b>3,085,832</b>	<b>1,425,065</b>	<b>3,258,866</b>

See Accompanying Independent Auditor's Report.

**Osceola County**

**Budgetary Comparison Schedule – Budget to GAAP Reconciliation**

**Required Supplementary Information**

**Year Ended June 30, 2015**

	<b>Governmental Funds</b>		
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified Accrual Basis</b>
Revenues	\$ 7,788,226	216,838	8,005,064
Expenditures	8,057,806	(247,149)	7,810,657
Net	(269,580)	463,987	194,407
Other Financing Sources, Net	133,630	0	133,630
Beginning Fund Balances	4,884,077	208,515	5,092,592
Ending Fund Balances	\$ 4,748,127	672,502	5,420,629

See Accompanying Independent Auditor's Report.

## **Osceola County**

### **Notes to Required Supplementary Information – Budgetary Reporting**

**June 30, 2015**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units (drainage districts) and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund (when applicable). Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the fiscal year, three budget amendments increased budgeted receipts by a total of \$54,801, increased budgeted disbursements by a total of \$1,881,678 and increased other financing sources, net by a total of \$166,110; resulting in a decrease of \$1,660,767 in the budgeted end of year balance. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board, for Emergency Management Services by the County Emergency Management Commission and for the Public Safety Commission by the Public Safety Commission Board. Please see Schedule 9 for financial information on the Public Safety Commission budget. These budgets may also be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2015, the County's disbursements did not exceed the amount budgeted for any function or the amount appropriated for any department.

**Osceola County**

**Budgetary Comparison Schedule of Receipts, Disbursements  
and Changes in Balances—Budget and Actual (Cash Basis) & Budget to GAAP Reconciliation  
Component Unit – Public Safety Commission**

**Year Ended June 30, 2015**

<b><u>Budget to Actual Comparison:</u></b>	<b>Actual</b>	<b>Budgeted Amounts</b>		<b>Final to Actual Variance</b>
		<b>Original</b>	<b>Final</b>	
<b>Receipts:</b>				
County Contribution	\$ 203,792	203,792	203,792	0
City Contribution	421,150	421,150	421,150	0
Unified Law Levy	442,643	440,662	440,662	1,981
Other Receipts	66,161	31,000	61,700	4,461
<b>Total Receipts</b>	<b>1,133,746</b>	<b>1,096,604</b>	<b>1,127,304</b>	<b>6,442</b>
<b>Disbursements:</b>				
Uniformed Patrol Services	676,586	660,000	700,700	24,114
Investigations	0	500	500	500
Law Enforcement Communications	234,886	237,900	241,900	7,014
Administration	251,543	228,600	240,600	(10,943)
Information Tech Services	39,226	3,500	40,000	774
Tort Liability and Safety of the Workplace	21,118	24,000	24,000	2,882
<b>Total Disbursements</b>	<b>1,223,359</b>	<b>1,154,500</b>	<b>1,247,700</b>	<b>24,341</b>
<b>Deficiency of Receipts Under Disbursements</b>	<b>(89,613)</b>	<b>(57,896)</b>	<b>(120,396)</b>	<b>30,783</b>
<b>Balances Beginning of Year</b>	<b>215,744</b>	<b>179,415</b>	<b>215,744</b>	<b>0</b>
<b>Balances End of Year</b>	<b>\$ 126,131</b>	<b>121,519</b>	<b>95,348</b>	<b>30,783</b>

Note: Although the budget document presents disbursements by program, the legal level of control is at the aggregated total of all disbursements, not by program; therefore, actual disbursements did not exceed the amended budget total during the fiscal year ended June 30, 2015. During the year, one budget amendment increased budgeted receipts by \$30,700 and increased disbursements by \$93,200 (an overall deficiency of receipts under disbursements of \$62,500). The budget amendment is reflected in the final budgeted amounts.

<b><u>Reconciliation:</u></b>	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified Accrual Basis</b>
<b>Revenues</b>	\$ 1,133,746	12,080	1,145,826
<b>Expenditures</b>	1,223,359	28,927	1,252,286
<b>Net</b>	(89,613)	(16,847)	(106,460)
<b>Other Financing Source</b>	0	43,990	43,990
<b>Beginning Fund Balances</b>	215,744	12,836	228,580
<b>Ending Fund Balances</b>	<b>\$ 126,131</b>	<b>39,979</b>	<b>166,110</b>

See Accompanying Independent Auditor's Report.

**Osceola County**

**Schedule of the County's Proportionate Share of the Net Pension Liability**

**Iowa Public Employees' Retirement System  
Last Fiscal Year\***

**Required Supplementary Information**

	<b>2015</b>
<b>County's Collective Proportion of the Net Pension Liability</b>	0.0261762%
<b>County's Collective Proportionate Share of the Net Pension Liability</b>	\$ 1,038,124
<b>County's Covered-Employee Payroll</b>	\$ 1,975,898
<b>County's Collective Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</b>	52.54%
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	87.61%

\* The amounts presented for this fiscal year were determined as of June 30.

See Accompanying Independent Auditor's Report.



**Osceola County**

**Schedule of the Component Unit - Public Safety Commission's  
Proportionate Share of the Net Pension Liability**

**Iowa Public Employees' Retirement System  
Last Fiscal Year\***

**Year Ended June 30, 2015**

<b>Commission's Collective Proportion of the Net Pension Liability</b>	(0.0013447)%
<b>Commission's Collective Proportionate Share of the Net Pension Liability</b>	\$ (53,328)
<b>Commission's Covered-Employee Payroll</b>	\$ 641,450
<b>Commission's Collective Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</b>	(8.31)%
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	87.61%

\* The amounts presented for this fiscal year were determined as of June 30.

See Accompanying Independent Auditor's Report.

**Osceola County**

**Schedule of County Contributions**

**Iowa Public Employees' Retirement System  
Last 10 Fiscal Years**

**Required Supplementary Information**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Statutorily Required Contribution</b>	\$ 183,825	178,040	168,041	163,199	128,764	127,262	113,945	102,041	93,376	89,797
<b>Contributions in Relation to the Statutorily Required Contribution</b>	<u>(183,825)</u>	<u>(178,040)</u>	<u>(168,041)</u>	<u>(163,199)</u>	<u>(128,764)</u>	<u>(127,262)</u>	<u>(113,945)</u>	<u>(102,041)</u>	<u>(93,376)</u>	<u>(89,797)</u>
<b>Contribution Deficiency (Excess)</b>	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>County Covered Employee Payroll</b>	\$ 2,046,574	1,975,898	1,920,482	1,974,870	1,796,414	1,870,525	1,759,420	1,705,168	1,626,437	1,568,040
<b>Contributions as a Percentage of Covered Employee Payroll</b>	8.98%	9.01%	8.75%	8.26%	7.17%	6.80%	6.48%	5.98%	5.74%	5.73%

See Accompanying Independent Auditor's Report.

**Osceola County**

**Schedule of Public Safety Commission Contributions**

**Iowa Public Employee's Retirement System  
Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Statutorily Required Contribution</b>	\$ 67,242	62,565	64,174	61,321	55,151	45,454	42,888	42,021	38,200	37,829
<b>Contributions in Relation to the Statutorily Required Contribution</b>	<u>(67,242)</u>	<u>(62,565)</u>	<u>(64,174)</u>	<u>(61,321)</u>	<u>(55,151)</u>	<u>(45,454)</u>	<u>(42,888)</u>	<u>(42,021)</u>	<u>(38,200)</u>	<u>(37,829)</u>
<b>Contribution Deficiency (Excess)</b>	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Commission Covered Employee Payroll</b>	\$ 676,498	641,450	645,945	621,588	600,447	573,912	556,016	575,636	527,061	498,709
<b>Contributions as a Percentage of Covered Employee Payroll</b>	9.94%	9.75%	9.93%	9.87%	9.18%	7.92%	7.71%	7.30%	7.25%	7.59%

See Accompanying Independent Auditor's Report.

## Osceola County

### Notes to Required Supplementary Information – Pension Liability

Year Ended June 30, 2015

#### *Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### *Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

**Osceola County**

**Notes to Required Supplementary Information – Pension Liability**

**Year ended June 30, 2015**

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**Osceola County**

**Schedule of Funding Progress for the Retiree Health Plan**

**Required Supplementary Information**

**Osceola County's Governmental Activities:**

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage Of Covered Payroll ((b-a)/c)</b>
2010	July 1, 2009	\$0	168,978	168,978	0.00%	1,333,157	12.7%
2011	July 1, 2009	\$0	168,978	168,978	0.00%	1,639,871	10.3%
2012	July 1, 2009	\$0	168,978	168,978	0.00%	1,574,276	10.7%
2013	July 1, 2012	\$0	216,548	216,548	0.00%	1,618,037	13.4%
2014	July 1, 2012	\$0	216,548	216,548	0.00%	1,648,392	13.1%
2015	July 1, 2012	\$0	216,548	216,548	0.00%	1,845,787	11.7%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See Accompanying Independent Auditor's Report.

**Osceola County**

**Schedule of Funding Progress for the Retiree Health Plan**

**Component Unit – Public Safety Commission**

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage Of Covered Payroll ((b-a)/c)</b>
2010	July 1, 2009	\$0	44,511	44,511	0.00%	610,658	7.3%
2011	July 1, 2009	\$0	44,511	44,511	0.00%	527,119	8.4%
2012	July 1, 2009	\$0	44,511	44,511	0.00%	593,219	7.5%
2013	July 1, 2012	\$0	70,314	70,314	0.00%	608,924	11.5%
2014	July 1, 2012	\$0	70,314	70,314	0.00%	686,159	10.3%
2015	July 1, 2012	\$0	70,314	70,314	0.00%	627,071	11.2%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See Accompanying Independent Auditor's Report.





**Osceola County**  
**Supplementary Information**

**Osceola County**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2015**

	<b>Case Management</b>	<b>Mental Health (County Services)</b>	<b>Unified Law Levy</b>	<b>County Recorder's Records Management</b>
<b>Assets</b>				
Cash and Pooled Investments	\$ 89	71,015	6,993	16,779
Receivables:				
Property Tax:				
Delinquent	0	173	55	0
Succeeding Year	0	182,168	458,121	0
Tax Increment Financing:				
Succeeding Year	0	0	0	0
Accrued Interest	0	0	0	4
Due from Agency Funds	0	0	0	166
Due from Other Governments	6,161	0	0	0
Prepaid Expenditures	0	0	0	1,103
<b>Total Assets</b>	<b>\$ 6,250</b>	<b>253,356</b>	<b>465,169</b>	<b>18,052</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 6,226	0	0	0
Due to County's Governmental Funds	0	0	0	0
Due to Component Unit (Public Safety)	0	0	6,993	0
Due to Other Governments	0	0	0	0
<b>Total Liabilities</b>	<b>6,226</b>	<b>0</b>	<b>6,993</b>	<b>0</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenues:				
Succeeding Year Property Tax	0	182,168	458,121	0
Succeeding Year Tax Increment Financing	0	0	0	0
Other	0	173	55	0
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>182,341</b>	<b>458,176</b>	<b>0</b>
<b>Fund Balances:</b>				
Nonspendable:				
Prepaid Expenditures	0	0	0	1,103
Restricted For:				
Other Purposes	24	71,015	0	16,949
Unassigned	0	0	0	0
<b>Total Fund Balances</b>	<b>24</b>	<b>71,015</b>	<b>0</b>	<b>18,052</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 6,250</b>	<b>253,356</b>	<b>465,169</b>	<b>18,052</b>

See Accompanying Independent Auditor's Report.

County Attorney Incentive	Sheriff's Asset Forfeiture	County Tax Increment Financing (Cenex Coop TIF Area)	County Tax Increment Financing (Windmills - Ocheyedan TIF Area)	Drainage Districts	Resource Enhancement and Protection	Total
6,780	9,563	0	0	64,196	54,910	230,325
0	0	0	0	0	0	228
0	0	0	0	0	0	640,289
0	0	77,955	0	0	0	77,955
0	0	0	0	12	1	17
0	20	0	0	0	0	186
210	0	0	0	0	0	6,371
0	0	0	0	0	0	1,103
6,990	9,583	77,955	0	64,208	54,911	956,474
0	0	0	15,752	0	0	21,978
0	0	288,417	0	0	0	288,417
0	0	0	0	0	0	6,993
0	0	0	0	12,194	0	12,194
0	0	288,417	15,752	12,194	0	329,582
0	0	0	0	0	0	640,289
0	0	77,955	0	0	0	77,955
0	0	0	0	0	0	228
0	0	77,955	0	0	0	718,472
0	0	0	0	0	0	1,103
6,990	9,583	0	0	52,014	54,911	211,486
0	0	(288,417)	(15,752)	0	0	(304,169)
6,990	9,583	(288,417)	(15,752)	52,014	54,911	(91,580)
6,990	9,583	77,955	0	64,208	54,911	956,474

**Osceola County**

**Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Non-Major Special Revenue Funds**

**Year Ended June 30, 2015**

	<b>Case Management</b>	<b>Mental Health (County Services)</b>	<b>Unified Law Levy</b>	<b>County Recorder's Records Management</b>
<b>Revenues:</b>				
Property and Other County Tax	\$ 0	183,073	417,648	0
Tax Increment Financing	0	0	0	0
Intergovernmental	29,042	171,885	25,684	0
Charges for Service	0	0	0	1,702
Use of Money and Property	0	0	0	17
Miscellaneous	0	0	0	0
<b>Total Revenues</b>	<b>29,042</b>	<b>354,958</b>	<b>443,332</b>	<b>1,719</b>
<b>Expenditures:</b>				
Operating:				
Public Safety and Legal Services	0	0	443,332	0
Mental Health	29,446	197,279	0	0
County Environment and Education	0	0	0	0
Governmental Services to Residents	0	0	0	1,930
Non-Program Current	0	0	0	0
Capital Projects	0	0	0	0
<b>Total Expenditures</b>	<b>29,446</b>	<b>197,279</b>	<b>443,332</b>	<b>1,930</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(404)</b>	<b>157,679</b>	<b>0</b>	<b>(211)</b>
<b>Fund Balances Beginning of Year</b>	<b>428</b>	<b>(86,664)</b>	<b>0</b>	<b>18,263</b>
<b>Fund Balance End of Year</b>	<b>\$ 24</b>	<b>71,015</b>	<b>0</b>	<b>18,052</b>

See Accompanying Independent Auditor's Report.

<b>County Attorney Incentive</b>	<b>Sheriff's Asset Forfeiture</b>	<b>County Tax Increment Financing (Cenex Coop TIF Area)</b>	<b>County Tax Increment Financing (Windmills - Ocheyedan TIF Area)</b>	<b>Drainage Districts</b>	<b>Resource Enhancement and Protection</b>	<b>Total</b>
0	0	0	0	0	0	600,721
0	0	80,492	0	0	0	80,492
0	0	2,345	0	0	11,663	240,619
0	0	0	0	0	0	1,702
0	0	0	0	168	6	191
3,391	90	0	0	46,398	0	49,879
3,391	90	82,837	0	46,566	11,669	973,604
4,000	0	0	0	0	0	447,332
0	0	0	0	0	0	226,725
0	0	0	15,752	0	13,938	29,690
0	0	0	0	0	0	1,930
0	0	61,026	0	0	0	61,026
0	0	0	0	67,533	0	67,533
4,000	0	61,026	15,752	67,533	13,938	834,236
(609)	90	21,811	(15,752)	(20,967)	(2,269)	139,368
7,599	9,493	(310,228)	0	72,981	57,180	(230,948)
6,990	9,583	(288,417)	(15,752)	52,014	54,911	(91,580)

**Osceola County**

**Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds**

**June 30, 2015**

	<b>County Offices</b>	<b>Agricultural Extension Education</b>	<b>County Assessor</b>	<b>Schools</b>	<b>Community Colleges</b>	<b>Corporations</b>
<b>Assets</b>						
Cash and Pooled Investments:						
County Treasurer	\$ 0	2,018	168,463	80,113	4,638	15,693
Other County Officials	44,992	0	0	0	0	0
Receivables:						
Property Tax:						
Delinquent	0	128	190	4,937	332	6,704
Succeeding Year	0	134,149	199,825	5,366,239	348,845	1,308,453
Tax Increment Financing:						
Succeeding Year	0	0	0	0	0	236,901
Accounts	0	0	0	0	0	0
Accrued Interest	0	0	0	0	0	0
Special Assessments	0	0	0	0	0	0
Due from Other Agency Funds	0	0	0	0	0	0
Due from Other Governments	0	0	0	0	0	0
Prepaid Expenses	0	0	10,267	0	0	0
<b>Total Assets</b>	<b>\$ 44,992</b>	<b>136,295</b>	<b>378,745</b>	<b>5,451,289</b>	<b>353,815</b>	<b>1,567,751</b>
<b>Liabilities</b>						
Accounts Payable	\$ 0	0	165	0	0	0
Salaries and Benefits Payable	0	0	0	0	0	0
Due to Primary Government (County)	20,587	0	0	0	0	0
Due to Other Agency Funds	166	0	0	0	0	0
Due to Component Unit (Public Safety)	11,526	0	0	0	0	0
Due to Other Governments	12,713	136,295	374,316	5,451,289	353,815	1,567,751
Trusts Payable	0	0	0	0	0	0
Compensated Absences	0	0	4,264	0	0	0
<b>Total Liabilities</b>	<b>\$ 44,992</b>	<b>136,295</b>	<b>378,745</b>	<b>5,451,289</b>	<b>353,815</b>	<b>1,567,751</b>

See Accompanying Independent Auditor's Report.

Townships	Auto License and Use Tax	E911 Surcharge	Emergency Management Services	Future Tax Collections	Other	Total
2,622	165,706	277,018	77,104	53,471	973	847,819
0	0	0	0	0	2,718	47,710
28	0	0	0	0	1	12,320
147,318	0	0	0	0	1,465	7,506,294
0	0	0	0	0	0	236,901
0	0	6,565	0	0	0	6,565
0	0	2	0	0	0	2
0	0	0	0	0	4,358	4,358
0	0	0	0	0	166	166
0	0	16,739	11,767	0	0	28,506
0	0	0	132	0	0	10,399
149,968	165,706	300,324	89,003	53,471	9,681	8,701,040
0	0	626	730	0	0	1,521
0	0	0	680	0	0	680
0	5,525	0	0	0	2,535	28,647
0	0	0	0	0	0	166
0	0	0	0	0	0	11,526
149,968	160,181	299,698	87,593	0	2,595	8,596,214
0	0	0	0	53,471	4,551	58,022
0	0	0	0	0	0	4,264
149,968	165,706	300,324	89,003	53,471	9,681	8,701,040

**Osceola County**  
**Combining Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**

**Year Ended June 30, 2015**

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
<b>Assets and Liabilities</b>						
<b>Balances Beginning of Year</b>	\$ 209,682	132,162	344,166	5,390,923	302,131	1,594,255
<b>Additions:</b>						
Property and Other County Tax (Including TIF)	0	133,950	199,519	5,191,465	348,440	1,546,459
State Tax Credits	0	8,438	12,795	335,810	19,386	186,066
Intergovernmental Replacements, Grants and Revenues	3,115	1,493	2,344	57,991	3,365	33,497
Contribution from Osceola County	0	0	0	0	0	0
E911 Surcharge/State Wireless	0	0	0	0	0	0
Office Fees and Collections	420,965	0	1,353	0	0	0
Electronic Transaction Fee	0	0	0	0	0	0
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	0	0	0
Interest	22	0	0	0	0	0
Assessments	0	0	0	0	0	0
Trusts	13,045	0	0	0	0	0
Refunds/Reimbursements	4,016	0	27	0	0	0
Miscellaneous	2,250	0	0	0	0	0
<b>Total Additions</b>	443,413	143,881	216,038	5,585,266	371,191	1,766,022
<b>Deductions:</b>						
Agency Remittances: To Other Funds/Component Unit/Other Agency Funds	408,225	0	0	0	0	0
To Other Governments	186,833	139,748	181,459	5,524,900	319,507	1,792,526
Trusts Paid Out	13,045	0	0	0	0	0
<b>Total Deductions</b>	608,103	139,748	181,459	5,524,900	319,507	1,792,526
<b>Balances End of Year</b>	\$ 44,992	136,295	378,745	5,451,289	353,815	1,567,751

See Accompanying Independent Auditor's Report.



**Schedule 4**

<b>Townships</b>	<b>Auto License and Use Tax</b>	<b>E911 Surcharge</b>	<b>Emergency Management Services</b>	<b>Future Tax Collections</b>	<b>Tax Redemption Trust</b>	<b>Other</b>	<b>Total</b>
143,306	152,897	216,960	80,840	39,899	0	7,436	8,614,657
147,136	0	0	0	0	0	1,460	7,568,429
8,302	0	0	0	0	0	93	570,890
773	0	0	15,377	0	0	16	117,971
0	0	0	30,000	0	0	0	30,000
0	0	212,107	0	0	0	0	212,107
0	0	4	0	0	0	0	422,322
0	0	0	0	0	0	1,702	1,702
0	2,138,263	0	0	0	0	0	2,138,263
0	0	22	0	0	0	0	44
0	0	0	0	0	0	10,370	10,370
0	0	0	0	51,671	59,910	29,615	154,241
0	0	0	484	0	0	0	4,527
0	0	0	0	0	0	0	2,250
156,211	2,138,263	212,133	45,861	51,671	59,910	43,256	11,233,116
0	74,208	0	0	0	0	0	482,433
149,549	2,051,246	128,769	37,698	0	0	13,623	10,525,858
0	0	0	0	38,099	59,910	27,388	138,442
149,549	2,125,454	128,769	37,698	38,099	59,910	41,011	11,146,733
149,968	165,706	300,324	89,003	53,471	0	9,681	8,701,040

## Osceola County

**Balance Sheet**  
**Component Unit – Public Safety Commission**

**June 30, 2015**

**Assets**

Cash and Pooled Investments	\$ 126,131
Due from Primary Government (County)	6,993
Due from County's Agency Funds	11,526
Prepaid Expenditures	<u>36,378</u>
<b>Total Assets</b>	<u><u>\$ 181,028</u></u>

**Liabilities, Deferred Inflows of  
Resources and Fund Balance**

**Liabilities:**

Accounts Payable	\$ 7,143
Compensated Absences	<u>7,641</u>
<b>Total Liabilities</b>	<u><u>14,784</u></u>

**Deferred Inflows of Resources:**

Unavailable Revenues:	
Other	<u>134</u>

**Fund Balance:**

Nonspendable:	
Prepaid Expenditures	36,378
Unassigned	<u>129,732</u>
<b>Total Fund Balance</b>	<u><u>166,110</u></u>

**Total Liabilities, Deferred Inflows  
of Resources and Fund Balance**

\$ 181,028

See Accompanying Independent Auditor's Report.

## Osceola County

**Reconciliation of the Balance Sheet  
to the Statement of Net Position  
Component Unit – Public Safety Commission**

**June 30, 2015**

**Total Component Unit Fund Balance (page 86)** \$ 166,110

*Amounts reported for the component unit in the Statement of Net Position are different because:*

Capital assets used in the component unit are not current financial resources and, therefore, are not reported in the Public Safety Commission's Balance Sheet. The cost of assets is \$483,330 and the accumulated depreciation is \$258,912. 224,418

Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the Public Safety Commission's Balance Sheet. 134

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the Public Safety Commission's Balance Sheet, as follows:

Deferred outflows of resources	\$ 55,048	
Deferred inflows of resources	<u>(241,151)</u>	(186,103)

Long-term liabilities, which include compensated absences payable, lease-purchase payable, net pension liability (asset) and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the Public Safety Commission's Balance Sheet. (67,000)

**Net Position of Component Unit (pages 20-21)** \$ 137,559

See Accompanying Independent Auditor's Report.

## Osceola County

**Schedule of Revenues, Expenditures and  
Change in Fund Balance  
Component Unit – Public Safety Commission**

**Year Ended June 30, 2015**

**Revenues:**

Intergovernmental	\$ 1,071,668
Charges for Service	27,151
Miscellaneous	47,007
<b>Total Revenues</b>	<u>1,145,826</u>

**Expenditures:**

Operating:	
Law Enforcement:	
Uniformed Patrol Services	665,111
Law Enforcement Communications	234,196
Administration	248,559
Central Services:	
Information Tech Services	78,846
Risk Management Services:	
Tort Liability and Safety of the Workplace	21,175
Debt Service	4,399
<b>Total Expenditures</b>	<u>1,252,286</u>

**Deficiency of Revenues Under Expenditures** (106,460)

**Other Financing Source:**

Proceeds from Long-Term Debt (Lease-Purchase)	<u>43,990</u>
---	---------------

**Change in Fund Balance** (62,470)

**Fund Balance Beginning of Year** 228,580

**Fund Balance End of Year** \$ 166,110

See Accompanying Independent Auditor's Report.

## Osceola County

**Reconciliation of the Statement of Revenues, Expenditures and  
Change in Fund Balance to the Statement of Activities  
Component Unit – Public Safety Commission**

**Year Ended June 30, 2015**

**Change in Fund Balance - Component Unit (Page 88)**

\$ (62,470)

*Amounts reported for the component unit in the Statement of Activities are different because:*

The Public Safety Commission's Statement of Revenues, Expenditures and Change in Fund Balance reports capital outlays as expenditures while the Commission in the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 108,224	
Depreciation expense	<u>(25,511)</u>	82,713

In the Statement of Activities for the Public Safety Commission, the gains and losses on the disposition of capital assets is reported, whereas in the Commission's Statement of Revenues, Expenditures and Change in Fund Balance, the proceeds from the disposition of capital assets is reported as an increase in financial resources (the basis of the capital assets disposed does not affect the governmental funds).

(26,816)

Proceeds from issuing long-term liabilities provide current financial resources to the Public Safety Commission, but issuing debt increases long-term liabilities in the Statement of Net Position for the Commission. Repayment of long-term liabilities is an expenditure in the Commission's Statement of Revenues, Expenditures and Change in Fund Balance, but the repayment reduces long-term liabilities in the Statment of Net Position for the Commission. Current year issuances exceeded repayments, as follows:

Issued	(43,990)	
Repaid	<u>4,399</u>	(39,591)

The current year Commission employer share of IPERS contributions are reported as expenditures in the Commission's Statement of Activities, but are reported as a deferred outflow of resources in the Statement of Net Position for the Commission.

67,242

Some expenses reported in the Statement of Activities for the Commission do not require the use of current financial resources and, therefore, are not reported in the Public Safety Commission's Statement of Revenues, Expenditures and Change in Fund Balance, as follows:

Compensated absences	3,638	
Pension expense	5,725	
Other postemployment benefits	<u>1,377</u>	<u>10,740</u>

**Change in Net Position of Component Unit (Pages 22-23)**\$ 31,818

See Accompanying Independent Auditor's Report.

## Osceola County

Schedule of Revenues by Source and Expenditures by Function –  
All Governmental Funds

## For the Last Ten Years

	Modified			Accrual			Basis			
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues:</b>										
Property and Other County Tax	\$3,754,224	3,529,546	3,302,743	2,997,555	2,854,959	2,574,397	2,432,660	2,369,853	2,329,758	2,221,623
Tax Increment Financing	550,912	499,650	504,503	464,851	496,086	389,348	349,325	323,713	320,185	210,292
Interest and Penalty on Property Tax	14,617	16,592	11,790	16,332	24,465	28,587	18,319	15,725	14,166	13,275
Intergovernmental	3,071,338	2,518,242	2,810,620	2,929,449	3,004,066	2,956,720	3,099,186	2,488,781	2,384,880	2,331,151
Licenses and Permits	16,210	22,585	19,520	24,313	16,240	17,775	16,580	20,973	17,210	10,750
Charges for Service	338,592	338,697	352,121	336,983	356,065	361,642	282,757	258,441	271,659	225,263
Use of Money and Property	56,700	69,410	65,726	68,027	81,376	84,106	117,326	197,159	207,348	177,756
Miscellaneous	202,471	95,984	133,939	78,992	113,088	157,960	117,851	89,776	69,472	28,752
<b>Total Revenues</b>	<b>\$8,005,064</b>	<b>7,090,706</b>	<b>7,200,962</b>	<b>6,916,502</b>	<b>6,946,345</b>	<b>6,570,535</b>	<b>6,434,004</b>	<b>5,764,421</b>	<b>5,614,678</b>	<b>5,218,862</b>
<b>Expenditures:</b>										
Operating:										
Public Safety and Legal Services	\$1,275,862	1,202,794	1,144,795	1,300,489	1,155,129	1,023,045	993,477	989,801	982,964	930,874
Physical Health and Social Services	215,622	204,311	210,238	219,324	245,644	280,640	261,231	143,070	129,747	126,981
Mental Health	226,725	130,023	519,864	813,627	691,005	745,270	685,581	792,245	678,848	532,029
County Environment and Education	1,260,300	1,885,943	692,220	364,262	350,789	428,044	340,781	434,717	300,820	379,376
Roads and Transportation	3,114,582	2,584,465	2,573,438	2,668,495	2,740,145	2,320,555	2,436,760	2,335,424	1,900,778	2,250,666
Governmental Services to Residents	288,419	352,213	276,902	278,909	249,553	234,001	280,276	222,734	198,224	307,555
Administration	808,714	799,621	727,801	678,985	689,563	665,562	722,417	706,932	605,044	598,664
Non-Program Current	61,026	67,425	64,297	65,543	69,564	0	0	0	0	0
Debt Service	479,752	744,376	463,738	424,788	451,365	376,862	356,750	306,913	312,088	210,913
Capital Projects	79,655	136,035	261,863	174,100	235,583	244,676	481,479	1,115,557	506,008	462,538
<b>Total Expenditures</b>	<b>\$7,810,657</b>	<b>8,107,206</b>	<b>6,935,156</b>	<b>6,988,522</b>	<b>6,878,340</b>	<b>6,318,655</b>	<b>6,558,752</b>	<b>7,047,393</b>	<b>5,614,521</b>	<b>5,799,596</b>

See Accompanying Independent Auditor's Report.

## Osceola County

Schedule of Revenues by Source and Expenditures by Program –  
Component Unit – Public Safety Commission

For the Last Ten Years

	Modified			Accrual			Basis			
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues:</b>										
Intergovernmental	\$ 1,071,668	1,059,462	1,001,447	958,246	946,441	947,382	930,885	868,725	842,103	875,389
Charges for Service	27,151	22,802	22,022	27,018	27,127	24,110	23,962	22,958	29,534	24,531
Miscellaneous	47,007	19,836	14,688	3,358	8,587	6,506	5,629	9,959	22,729	4,875
<b>Total Revenues</b>	<b>\$ 1,145,826</b>	<b>1,102,100</b>	<b>1,038,157</b>	<b>988,622</b>	<b>982,155</b>	<b>977,998</b>	<b>960,476</b>	<b>901,642</b>	<b>894,366</b>	<b>904,795</b>
<b>Expenditures:</b>										
Operating:										
Law Enforcement:										
Uniformed Patrol Services	\$ 665,111	623,590	611,205	558,041	605,821	535,673	519,494	563,796	530,450	501,156
Investigations	0	0	150	0	0	0	0	500	183	2,992
Law Enforcement										
Communications	234,196	213,422	221,811	215,520	207,216	193,264	181,136	179,810	162,298	160,028
Administration	248,559	278,772	210,417	203,377	201,313	192,512	190,665	171,432	163,347	156,285
Central Services:										
Information Tech Services	78,846	2,698	5,837	0	2,231	322	400	1,873	798	319
Risk Management Services:										
Tort Liability and Safety										
of the Workplace	21,175	22,365	24,798	18,749	18,435	13,407	18,351	13,818	11,891	11,855
Debt Service	4,399	0	0	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$ 1,252,286</b>	<b>1,140,847</b>	<b>1,074,218</b>	<b>995,687</b>	<b>1,035,016</b>	<b>935,178</b>	<b>910,046</b>	<b>931,229</b>	<b>868,967</b>	<b>832,635</b>

See Accompanying Independent Auditor's Report.





**Osceola County**

**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards***

# ***DE NOBLE, AUSTIN & COMPANY PC***

Certified Public Accountants

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## **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Officials of Osceola County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Osceola County, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 13, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Osceola County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Osceola County's internal control. Accordingly, we do not express an opinion on the effectiveness of Osceola County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in Osceola County's internal control described in Part I of the accompanying Schedule of Findings as items 15-A, B, D, E, H, I, and J to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged

with governance. We consider the deficiencies in Osceola County's internal control described in Part I of the accompanying Schedule of Findings as items 15-C, F, G and K to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Osceola County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Osceola County's Responses to Findings

Osceola County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Osceola County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Osceola County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*De Noble, Austin & Company PC*

De Noble & Company PC  
d/b/a De Noble, Austin & Company PC  
Certified Public Accountants

June 13, 2016



**Osceola County**  
**Schedule of Findings**

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2015**

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- 15-A Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore, also assists in maximizing the accuracy of the County's financial statements. We noted a lack of segregation of duties (incompatible duties, from a control standpoint, are being performed by the same employee) over financial transactions, recordkeeping, reconciling functions and financial reporting in several offices. This comment also applies, as applicable, to the County Assessor, County Extension, Emergency Management, E911 and Public Safety Commission.

Checks do not require dual signatures to be issued.

Recommendations – The following recommendations should be considered to improve the segregation of duties within the various offices of the County:

- a. All cash receipts should be handled by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The list should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to supporting receipt documentation to the cash receipt records, and to the actual deposit made by an independent person.
- b. Bank accounts should be reconciled promptly at the end of each month by individuals who do not sign checks, handle currency or record cash/checks.
- c. A person in the office who has no responsibility for custody of investments should periodically inspect investments, verify County ownership of investments and reconcile documents to the investment records. In addition, reconciliations of delinquencies, abatement of taxes and monthly auto license and use tax reports should be done by independent people.
- d. Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve payment. Dual signatures should be required on all checks.
- e. Supplies and capital assets ordered should be received by someone other than the person who initiated the order. The person responsible for verifying all items ordered are received and the proper amounts are charged should be independent from the purchasing and cash disbursement functions.
- f. Authorization of transactions, handling of source documents, custody of assets and the responsibility for long-term debt recordkeeping should be segregated. The persons who are responsible for cash disbursements should be segregated from ledger entry in the accounting records.

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2015**

- g. Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.
- h. Billings for services, the recordkeeping of other receivables, and the handling of receipts should be segregated. The billing rates being charged should be verified by independent individuals on a regular basis.
- i. All checks issued should be analyzed by an independent person to verify that the numerical sequence is accurate and all checks are accounted for. This should apply to both computer generated and handwritten checks.
- j. Payroll recordkeeping (including compensated absences) should be done by persons who are independent of the payroll disbursement functions. The payroll should be verified by independent individuals. Only individuals who are independent of the payroll (including payroll disbursements) process should have access to change the payroll rates.
- k. Complete, detailed personnel records should be maintained outside the payroll section. The personnel records should periodically be compared to the actual payroll by an independent person.

We realize that with a limited number of office employees, segregation of duties is difficult. However, each official or person in-charge should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official or person in-charge should utilize current personnel in their office or from another office to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will encourage each department/entity to utilize existing personnel within the County/each entity to help in achieving additional segregation of duties. We will attempt to develop strategies to implement each of the recommendations as economically practicable within each office.

Conclusion – Response acknowledged. However, it is important that you do thoroughly review your procedures and attempt to implement these recommendations.

- 15-B Capital Assets/Inventory – There is no periodic inspection of capital assets/inventory formally being performed by an independent person. Capital assets are not marked for identification purposes. Records of inventory quantities are not maintained on a perpetual basis. Proper inventory valuation methods were not utilized in determining all end of fiscal year inventory amounts.

Recommendation – On a yearly basis, an authorized independent person should be responsible for verifying the existence of the capital assets/inventory under each office's control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions. Inventory records need to be developed that allows the County the capacity to monitor the reasonableness of the inventory quantities on an on-going basis. Procedures should be established to ensure proper inventory valuation methods are utilized in determining end of fiscal year inventory amounts.

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2015**

Response – We will try to develop systems that will implement all the components of this recommendation.

Conclusion – Response accepted. However, it is important that this issue is addressed and continued to be developed in a timely manner.

- 15-C Accounting Procedures Manual – The County does not have accounting procedures manuals for all aspects of the County's accounting systems (primarily relates to some of the individual offices).

Recommendation – Updated accounting procedures manuals should be prepared and implemented for all aspects of the County's accounting systems.

Response – We will attempt to have each appropriate office work on preparation of an up-to-date accounting procedures manual.

Conclusion – Response acknowledged. However, please do attempt to have each appropriate office make this a priority to get implemented.

- 15-D Information Systems – During our review of internal control, the existing control activities in the computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the computer based systems were noted:

There are no written policies that require:

- daily off-site storage for backup tapes for all aspects of the County's accounting systems.
- password changes because software does not require the user to change log-ins/passwords periodically.
- password length to be set at a minimum of at least eight characters and require use of multiple characters on the keyboard.
- automatic log-off provisions when left unattended for a period of time. Upon log-off, the user should have to again enter a password to re-access information.
- special passwords to change pay rates.
- unique user IDs versus group user IDs.

Recommendation – Written policies should be developed addressing the aforementioned procedures in order to improve the controls over computer based systems.

Response – We will address these computer related issues with each of the individual offices/entities and communicate with Solutions to ensure all procedures are implemented.

Conclusion – Response accepted. Please do attempt to work with Solutions to develop policies/procedures that implement these recommendations in each office.



**Osceola County  
Schedule of Findings  
Year Ended June 30, 2015**

- 15-E Job Rotations – Financial personnel’s duties are not always rotated for a period of time each fiscal year.

Recommendation – The County should consider the need for financial personnel to annually take a minimum amount of vacation time and each person’s duties should be done by another employee when a person is on vacation. Employees should be cross-trained to be able to perform a fellow employee’s duties.

Response – We will have each office/entity work on rotating duties and cross-training within economic constraints.

Conclusion – Response acknowledged. However, due to the significance of this control, please attempt to implement this recommendation.

- 15-F Collection Procedures – The County does not have any written policies or procedures on collecting delinquent accounts receivable.

Recommendation – The County needs to develop written policies and procedures regarding collection of delinquent accounts receivable.

Response – We will attempt to develop policies and procedures for collection of receivables.

Conclusion – Response acknowledged. Please attempt to implement this recommendation in a timely manner.

- 15-G Usage of County Vehicles/Equipment – When filling vehicles/equipment, the capital asset’s identification and the mileage at the time of fueling are not always noted on the credit card receipt. Vehicle/machinery mileage logs should be compared to fuel invoices and a calculation done to check reasonableness of the fuel purchased.

Recommendation – When filling vehicles/equipment, the vehicle/equipment’s identification and the mileage at the time of fueling should always be noted on the receipt. Mileage and fuel logs should be maintained on each vehicle/piece of equipment and tested against the fuel charged to each vehicle/piece of equipment to verify reasonableness of mileage per gallon. Each department needs to develop procedures to ensure this recommendation is implemented.

Response – We will stress to each of the appropriate departments the need to implement your recommendation.

Conclusion – Response accepted. Please make sure each of the departments work on developing procedures to implement this recommendation.

- 15-H Ambulance Records – The ambulance records maintained in QuickBooks are not reconciled on a regular basis to PCC's records of ambulance receivables, the amount of receivables in the State of Iowa's Offset Program and prior year outstanding receivables.

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2015**

Recommendation – The ambulance run reports should be reconciled on a regular basis to the accounting records by an independent person to ensure customer account balances are kept proper throughout the year. A system should be developed to reconcile the QuickBooks records to PCC's records of ambulance receivables, the amount of receivables in the State of Iowa's Offset Program and prior year outstanding receivables.

Response – The ambulance personnel is working on implementing this recommendation.

Conclusion – Response acknowledged. Please attempt to implement this recommendation in a timely manner.

- 15-I Financial Reporting – During the audit, we identified material amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, revenues, expenses/expenditures and operating transfers not recorded properly in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, revenues, expenses/expenditures and operating transfers are identified and included in the County's financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.

Response – We will continually attempt to identify procedures where we can improve on our financial records.

Conclusion – Response accepted. Please review your procedures in an effort to identify areas which may improve on the accuracy of your financial records.

- 15-J Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures; monitoring existing procedures that are in place to ensure the procedures are enforced; and communicating the County's expected ethics.

Recommendation – County management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and monitored on a regular basis. County management needs to review audit findings identified and assess the level of risk associated with each finding and incorporate this assessed level of risk into its development of policies and procedures. County management also needs to communicate the County's expected ethics and hold County employees accountable to those expected ethics.

Response – We will address your recommendations.

Conclusion – Response accepted.

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2015**

- 15-K Payroll Issues – Payroll time sheets are not always being signed/formally approved by the employee as well as the employee’s supervisor. Also, there are several employees that do not fill out time sheets. We also noted there was excess vacation and comp time carried over without having proper approval.

Recommendation – The County should consider the need to require all County personnel to prepare daily time sheets or time cards. All County time cards/sheets should have a signature line for the employee and the employee’s direct supervisor that should be required to be completed before a paycheck is issued in order to attest to the accuracy of hours worked. Procedures should be implemented in order to ensure carryover of vacation and comp time are in accordance with established policies and contracts. If excess carryover of vacation or comp time is going to be allowed, the proper channel of approval must be documented.

Response – The County will evaluate its payroll procedures and attempt to implement the issues identified.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2015**

**Part II: Other Findings Related to Required Statutory Reporting:**

15-1 Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amount budgeted for any function or the amount appropriated for any department.

15-2 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented or the necessary documentation to support the expenditure was not present. These expenditures are detailed as follows:

We noted several credit card charges and employee reimbursements which did not have any supporting documentation/invoice. There were a couple instances noted of finance charges being paid on credit card bills. Additionally, we noted some instances where sales tax was paid on purchases that appear to be exempt from sales tax.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The County and Public Safety Commission should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County and Public Safety Commission should establish written policies and procedures requiring detailed supporting documentation for all expenditures. All disbursements, including credit card charges and employee reimbursements, should be supported by an actual receipt/invoice that supports the charge in detail. The County should implement procedures to ensure sales tax is only paid on required purchases, and finance charges are not incurred.

Response – We will evaluate what procedures should be modified to ensure your recommendation is implemented.

Conclusion – Response accepted. Please stress the importance of needing to maintain detailed support for all charges and reducing unnecessary costs

15-3 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see “Other Findings Related to Required Statutory Reporting: 15-2” for a possible related comment.

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2015**

- 15-4 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

Name, Business Connection, and Title	Transaction Description	Amount
Echter's Greenhouse, Barb Echter's Husband is the Owner, County Auditor	Lawn products and plants	\$ 673
Bosma Water Service, Jayson Vande Hoef is a Partner, Board of Supervisors Member	Water	\$ 4,207

Business transactions between the Public Safety Commission and Public Safety Commission Board members or employees are detailed as follows:

Name, Business Connection, and Title	Transaction Description	Amount
The Ocheyedan Press – Melvin News, Arlyn Pedley is the Owner, Public Safety Commission Board Member	Publications and office supplies	\$ 1,669

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Echter's Greenhouse do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year. Also, The Ocheyedan Press – Melvin News is considered an "official" Public Safety Commission newspaper and the majority of the costs were for required publications. However; the transactions with Bosma Water Service appear to represent conflicts of interest since total transactions were more than \$1,500 during the fiscal year and were not entered into through competitive bidding.

Recommendation – The County should comply with the Iowa Code regarding business transactions between the County and County officials, employees, and their family members. The County should consult with the County Attorney to determine the disposition of this potential issue.

Response – We will consult with the County attorney regarding your comment. We will be sure to bid jobs with related parties when total payments are expected to exceed \$1,500.

Conclusion – Response accepted

- 15-5 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2015**

- 15-6 Board Minutes — An interfund loan approved as a short-term loan by the Board of Supervisors from the General Fund to the Flex Spending Fund was not repaid by June 30, 2015. During a review of the Board of Supervisors minutes, we found an instance where the minutes were not published for 21 days. Also, we noted a contract for work done in joint drainage #9 exceeded the amount of \$3,750 to be paid per the contract, but the approval to exceed the contracted total was never approved in Board minutes (amount paid in FY 2014/2015 was \$8,930 and at least another \$6,564 was paid from July to October 2015).

Recommendation — In accordance with Chapter 331.477, 331.478 and 331.479 of the Code of Iowa, a short-term interfund loan should be formally approved by the Board by passing a resolution and the interfund loan needs to be repaid by the end of the fiscal year in which the loan was issued. In accordance with Chapter 349.18 of the Code of Iowa, the minutes for publication should be furnished to the newspapers within one week of the Board meeting. Also, procedures need to be established to ensure contractors are not paid more than the bid amount without formal written Board approval.

Response — We will attempt to make sure all short-term loans are repaid by the end of the fiscal year; to get the publications to the newspapers within one week of the Board meetings; and stress the need to the appropriate department head the need to get contract change orders approved by the Board.

Conclusion — Response accepted

- 15-7 Official Depositories – The deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were complied with, except the County exceeded the amount of the depository resolution at the Sibley State Bank for several days during August 2015.

Recommendation – The resolution adopted by the Board of Supervisors should be in amounts sufficient to cover anticipated balances at all approved depositories at all times throughout the fiscal year.

Response – We will monitor the bank balances to ensure the depository resolution amounts are not exceeded at any of the approved banks.

Conclusion – Response accepted

- 15-8 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2015**

- 15-9 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2015 for the County Extension Office did not exceed the amount budgeted.

The County Extension needs to review Part I: “Findings Related to the Financial Statements – Internal Control Deficiencies” for reportable conditions that relate to the Extension or could improve the Extension’s internal control.

- 15-10 Urban Renewal Annual Report – The County’s urban renewal annual reports were properly approved and certified to the Iowa Department of Management on or before December 1; however, the “TIF Levy Authority” reports contained a few errors.

Recommendation – The County should make the necessary corrections and develop procedures to ensure these errors do not happen in the future.

Response – We have made the corrections recommended so our reports are now correctly filed with the Iowa Department of Management.

Conclusion – Response accepted

- 15-11 Assessor and Veteran's Affairs Board Minutes – The Assessor’s Board and the Veteran's Affairs Board minutes are not always signed by the Board chairman or another Board member.

Recommendation – The Assessor and Veteran's Affairs meeting’s minutes should be signed to verify as to the accuracy of the minutes.

Response – We will attempt to have these Boards comply with your recommendations.

Conclusion – Response accepted.

- 15-12 Outstanding Checks - Outstanding checks over one year old were not properly cancelled and recorded back in the fund cash balance.

Recommendation - When preparing the monthly bank reconciliation, any checks over one year old should be cancelled in accordance with Chapter 331.554(6) and (7) of the Code of Iowa.

Response - We will implement procedures to make sure outstanding checks over one year old are properly handled per the Code of Iowa.

Conclusion - Response accepted.

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2015**

- 15-13 Treasurer's Annual Report - The Case Management and Mental Health (County Services) Funds were combined on the fiscal year ended June 30, 2015 Treasurer's Annual Report.

Recommendation - The County should verify all funds are listed separately when preparing and publishing the Treasurer's Annual Report in accordance with Chapter 349.16(3) of the Code of Iowa.

Response - We will be sure to properly classify all funds separately on future Treasurer's Annual Reports.

Conclusion - Response accepted.

- 15-14 Financial Conditions – The County Tax Increment Financing (Amended Ethanol TIF Areas) Fund had a deficit fund balance at June 30, 2015 of \$(29,626), the County Tax Increment Financing (Cenex Coop TIF Area) Fund had a deficit balance at June 30, 2015 of \$(288,417), and the County Tax Increment Financing (Windmills - Ocheyedon TIF Area) Fund had a deficit fund balance at June 30, 2015 of \$(15,752).

Recommendation – The County should investigate alternatives to eliminate these deficit fund balances in order to return these funds to a sound financial position.

Response – We are relying on future TIF collections to eventually eliminate the deficit in the other funds.

Conclusion – Response accepted

- 15-15 Tax Increment Financing Reporting – The County's tax increment financing certification forms and tax increment financing reconciliation documents contained various errors (primarily related to limitations on the amounts to be paid on rebate agreements and change order to existing tax increment financing debt).

Recommendation – The County needs to develop procedures to ensure all the County's tax increment financing certification forms and tax increment financing reconciliation documents are prepared accurately and completely.

Response – We will work on developing procedures to ensure future County tax increment financing certification forms and tax increment financing reconciliation documents are prepared accurately and completely.

Conclusion – Response accepted.



**Osceola County  
Schedule of Findings  
Year Ended June 30, 2015**

- 15-16 Electronic Municipal Market Access Reporting- The County complied with the continuing disclosure requirements for the General Obligation County Purpose and Refunding Bonds, Series 2013A, except the County's Continuing Disclosure Document posted to the Electronic Municipal Market Access (EMMA) website contained some errors related to the debt limit reporting. While the County complied with the debt limit, not all debt, which is to be included in the debt limit calculation, was listed as outstanding debt on this document.

Recommendation – The County needs to make sure all required financial information in the Continuing Disclosure Document posted to the Electronic Municipal Market Access (EMMA) website is accurate in order to ensure compliance with reporting requirements of SEC Rule 15C2-12 for the County's General Obligation County Purpose and Refunding Bonds, Series 2013A.

Response – We will strive to get all reporting requirements done accurately in the future.

Conclusion – Response accepted.

- 15-17 Outstanding Obligations Reporting – The County did not include one outstanding interfund TIF debt in the Outstanding Obligations Report provided to the Treasurer of Iowa.

Recommendation - The County needs to get the Iowa Treasurer's Office an all-inclusive and accurate listing as to the debt outstanding as of the end of fiscal year 2014/2015 and develop procedures to ensure the obligations outstanding at the end of each fiscal year are properly reported to the Treasurer of Iowa in accordance with Chapter 12.1 of the Code of Iowa.

Response - We will implement procedures to be sure that all debt is properly reported in the future.

Conclusion – Response accepted.

- 15-18 Check Images – The County did not receive images of the endorsement side of cancelled checks from one bank.

Recommendation – The County should contact the appropriate bank to begin receiving check images of both sides of all checks in accordance with Chapter 55D.114(5) of the Code of Iowa.

Response – We will start to get the reverse image of all checks from the bank in order to be in compliance with the Code of Iowa.

Conclusion – Response accepted.

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2015**

**Osceola County**

**Staff**

This audit was performed by:

David De Noble, CPA, Senior Auditor  
Carmen Austin, CPA, Senior Auditor  
Kayla Reck, Assistant Auditor  
Russell Forrest, Assistant Auditor

De Noble & Company PC  
d/b/a De Noble, Austin & Company PC  
Certified Public Accountants